LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

Bison Court
Road Town, Tortola
British Virgin Islands, VG1110

PROXY STATEMENT
for an extraordinary general meeting of shareholders of Liberty

and

CONSENT SOLICITATION STATEMENT
for an amendment to certain terms of Liberty's outstanding warrants

To the Shareholders and Warrant Holders of Liberty Acquisition Holdings (International) Company:

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Liberty Acquisition Holdings (International) Company, a Cayman Islands exempted company (**"Liberty"**, the **"Company"**, **"we"** or **"us"**), will be held at 12:00 p.m., British Summer Time, on July 24, 2009, at the Grand Jersey hotel, Esplanade, St. Helier, Jersey JE2 3QA Channel Islands, for the purpose of considering and acting upon the following proposals (collectively, the **"Proposals"**):

(1) to consider and vote upon a proposal to approve the acquisition (the **"Acquisition"**) by Liberty of Pearl Group Limited (**"Pearl"**), a closed life and pension fund consolidator, and Opal Reassurance Limited (**"Opal Re"**), a reinsurance company that re-insures certain annuity liabilities of Pearl, pursuant to separate Purchase Agreements, dated as of June 27, 2009 (together, the **"Purchase Agreements"**), by and among Liberty and certain equity holders of the Acquired Companies (as defined in the attached Glossary) (the **"Pearl Group Sellers"**) and by and among Liberty, the equity holder of Opal Re (being O-Re Holdings (Netherlands) B.V.) and its parent company, O-Re Holdings UK Limited (the **"Opal Re Sellers"** and, collectively with the Pearl Group Sellers, the **"Sellers"**), and the transactions contemplated thereby, pursuant to which Liberty will acquire all of the outstanding equity interests of Pearl and Opal Re, which will become wholly-owned subsidiaries of Liberty (the **"Acquisition Proposal"**); in connection with the Acquisition and the related debt restructuring Liberty will issue:

- to the sellers of the Acquired Companies, (i) at the closing of the Acquisition, 38,900,000 newly created Class B ordinary shares of Liberty and (ii) following the closing, up to an additional 26,500,000 ordinary shares under certain circumstances as described herein;
- to lenders to certain Pearl affiliates, (i) at the closing, 3,500,000 ordinary shares and 4,190,000 Class B ordinary shares, warrants to purchase 5,000,000 Class B ordinary shares and loan notes in the original principal amount of £75.0 million in the aggregate (to be issued by two Liberty subsidiaries), and (ii) following the closing, up to an additional 8,500,000 ordinary shares under certain circumstances as described herein;
- to Royal London Mutual Insurance Society Limited (**"Royal London"**), an additional existing lender and shareholder, 6,180,000 Class B ordinary shares and warrants to purchase 12,360,000 Class B ordinary shares; and
- to certain other parties, an aggregate of 1,500,000 Class B ordinary shares;

(2) to consider and vote upon a proposal to change Liberty's name from "Liberty Acquisition Holdings (International) Company" to "Pearl Group" effective concurrently with the consummation of the Acquisition (the **"Name Change Proposal"**);

(3) to consider and vote upon a proposal to (i) decrease the authorized share capital of Liberty from €30,100 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each and 1,000,000 preferred shares of a par value of €0.0001 each) to €30,000 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each) and (ii) increase the authorized share capital of Liberty from €30,000 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each) to €41,000 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each and 110,000,000 Class B ordinary shares of a par value of

€0.0001 each), in each case, effective concurrently with the consummation of the Acquisition (the **"Authorized Share Capital Proposal"**);

(4) to consider and vote upon a proposal to remove certain provisions contained in Liberty's Second Amended and Restated Memorandum and Articles of Association (the **"M&AA"**) related to Liberty's pre-closing status as a blank check company (the **"Quorum Amendment Proposal"**), effective concurrently with the consummation of the Acquisition;

(5) to consider and vote upon a proposal to approve the manner of the repurchase by Liberty of 63,600 ordinary shares held by one of Liberty's Founders and initial directors who resigned on October 29, 2008 (the **"Share Repurchase Proposal"**);

(6) conditional upon the effectiveness of the Authorized Share Capital Proposal and the Quorum Amendment Proposal, to consider and vote upon a proposal to amend and restate the M&AA, effective concurrently with the consummation of the Acquisition, which will include the amendments referred to in each of the Name Change Proposal, the Authorized Share Capital Proposal and the Quorum Amendment Proposal, and will include, among other things (collectively, the **"M&AA Amendment and Restatement Proposal"**):

(a) the rights of the Class B ordinary shares, including the right of the Class B ordinary shares to be converted on a one-for-one basis, by variation of rights and re-designation, into ordinary shares, subject to compliance with applicable laws, including the rules and regulations of any investment exchange on which the ordinary shares are admitted to trading;

(b) provision for the compulsory and automatic redemption of certain Class B ordinary shares in order to meet certain obligations of the Sellers under the Purchase Agreements (if required); and

(c) certain additional provisions relating to corporate governance of Liberty and takeover protections following the Acquisition;

(7) to consider and vote upon a proposal to approve the adoption of five new incentive plans, consisting of the Long-Term Incentive Plan (the **"LTIP"**), the Restricted Stock Plan (the **"RSP"**), the Bonus Share Plan (the **"BSP"**), the Sharesave Plan (the **"Sharesave Plan"**) and the Share Incentive Plan (the **"SIP"**), pursuant to which an aggregate of 3,500,000 Class B ordinary shares will be available for issuance to our directors, officers and employees (the **"Incentive Plan Proposal"**); and

(8) to consider and vote upon a proposal to authorize the adjournment of the extraordinary general meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event there are insufficient votes at the time of the extraordinary general meeting to adopt any of the foregoing Proposals (the **"Adjournment Proposal"**).

The foregoing items of business are more fully described in the proxy and consent solicitation statement accompanying this Notice. Copies of the Purchase Agreements are attached to this proxy and consent solicitation statement as *Annex A* and *Annex B*, respectively, and the form of our Third Amended and Restated Memorandum and Articles of Association, as it would appear if the M&AA Amendment and Restatement Proposal is effected, is attached to this proxy and consent solicitation statement as *Annex C*. Copies of the LTIP, the RSP, the BSP, the Sharesave Plan and the SIP are attached to this proxy and consent solicitation statement as *Annex D*, *Annex E*, *Annex F*, *Annex G* and *Annex H*, respectively. We encourage you to read the entirety of each of these documents carefully.

EACH OF THE NAME CHANGE PROPOSAL, THE AUTHORIZED SHARE CAPITAL PROPOSAL, THE QUORUM AMENDMENT PROPOSAL, THE SHARE REPURCHASE PROPOSAL, THE M&AA AMENDMENT AND RESTATEMENT PROPOSAL AND THE INCENTIVE PLAN PROPOSAL IS CONDITIONED UPON THE APPROVAL OF THE ACQUISITION PROPOSAL. FURTHERMORE, IT IS A CONDITION TO THE CONSUMMATION OF THE ACQUISITION FOR BOTH LIBERTY AND THE SELLERS UNDER THE PURCHASE AGREEMENTS THAT EACH OF THESE PROPOSALS AND THE ACQUISITION PROPOSAL ARE APPROVED BY LIBERTY'S SHAREHOLDERS AS SET OUT IN MORE DETAIL IN THE PROXY AND CONSENT SOLICITATION STATEMENT, EACH OF WHICH CONDITIONS MAY BE WAIVED (TO THE EXTENT LEGALLY ABLE TO BE WAIVED) ONLY BY LIBERTY AND THE SELLERS IN THEIR SOLE DISCRETION.

Liberty's board of directors has fixed June 27, 2009 (not taking into account any pending settlements on that date) as the record date for the determination of shareholders entitled to notice of the extraordinary general meeting and to vote at such meeting and any adjournment or postponement thereof (the **"Record Date"**). On that date, there were 75,000,000 ordinary shares outstanding and entitled to vote.

The Acquisition Proposal must be approved by the affirmative vote of holders of a majority of the ordinary shares issued in Liberty's initial public offering (the **"Public Shares"**) that are issued and outstanding as of the Record Date, provided that if the holders of 30% or more of the total number of Public Shares vote "AGAINST" the Acquisition Proposal and exercise their right to request redemption of their shares for a *pro rata* portion of the funds held in the trust account established by Liberty to hold the majority of the proceeds of its initial public offering (the **"Trust Account"**), then Liberty will not consummate the Acquisition and will not complete the actions contemplated by the remaining Proposals. However, we may utilize the Adjournment Proposal at any time during the extraordinary general meeting to adjourn the meeting so that we can continue to solicit support for approval of the Acquisition Proposal and the other Proposals.

If the Acquisition Proposal is approved by the requisite number of votes as described above:

- a special resolution passed by the affirmative vote of holders of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person or by proxy, is required to approve each of the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal and the M&AA Amendment and Restatement Proposal; and
- the approval of the Incentive Plan Proposal, the Share Repurchase Proposal and, if necessary, the Adjournment Proposal will require the affirmative vote of holders of a majority of the ordinary shares that are present in person or by proxy and entitled to vote at the extraordinary general meeting.

If any Proposal (other than the Adjournment Proposal) does not receive the necessary votes for approval, we anticipate that the remaining Proposals will not be presented for voting at the extraordinary general meeting and any Proposal (other than the Share Repurchase Proposal) already approved will cease to be effective.

Your vote on the Proposals is very important. Whether or not you plan to attend the extraordinary general meeting, unless you are a holder named in our Register of Members, please complete, sign, date and return the proxy card through your bank or broker, being or using an admitted institution (an **"Admitted Institution"**) of Euroclear Nederland (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.)* **("Euroclear Nederland")**, to ABN AMRO Bank N.V., trading under the name "RBS" (**"RBS"**), as soon as possible, but not later than 3:00 p.m., Central European Time, on July 23, 2009, the business day prior to the extraordinary general meeting (the **"Deadline"**), to make sure that your shares are represented at the extraordinary general meeting.

If you wish to attend the extraordinary general meeting in person, you must register before the Deadline through your bank or broker, being or using an Admitted Institution. If you properly register before the Deadline and attend the extraordinary general meeting in person, RBS will provide you with a proxy necessary for you to vote your shares at the extraordinary general meeting in person in advance of, or at, the extraordinary general meeting. Once you have been provided with the proxy by RBS, you may cast your vote in respect of your shares at the extraordinary general meeting.

If you return your proxy card without an indication of how you wish to vote, it will be voted "FOR" each of the Proposals and you will not be eligible to have your shares redeemed for a *pro rata* portion of the funds held in the Trust Account.

If you are a holder of Public Shares, to properly exercise your redemption rights, you must affirmatively vote against the Acquisition Proposal and your bank or broker must, by the Deadline, electronically transfer your shares to the Euroclear Nederland account of RBS, our transfer agent, and provide RBS with the written instructions necessary for you to redeem such shares. You may redeem no more shares than those held by you on the Record Date. If you exercise and do not subsequently revoke your redemption rights, then you will be agreeing to exchange your ordinary shares for cash and will no longer own those ordinary shares, which will be cancelled, assuming that the Acquisition is consummated.

If you are a holder named in our Register of Members (which as of the Record Date consisted of our founding shareholders and Euroclear Nederland), please complete and return the form of proxy card in accordance with the instructions therein which will be provided or made available to you with the proxy and consent solicitation statement.

* * *

If you have any questions about how to vote or direct a vote in respect of your shares, you may call your bank or broker or you may contact RBS, Gustav Mahlerlaan 10, 1082 PP, Amsterdam, The Netherlands (telephone number: +31 20 383 6707, fax number: +31 20 628 0004).

NOTICE IS HEREBY GIVEN, FURTHER, that Liberty is seeking the consent of holders of the warrants issued in Liberty's initial public offering (the **"Public Warrants"**) to amend all of Liberty's outstanding Public Warrants, all of the warrants issued to Liberty's Founders prior to its initial public offering (the **"Founders' Warrants"**) and all of the warrants issued to Liberty's Sponsors on February 13, 2008 in connection with our initial public offering (the **"Sponsors' Warrants"** and, collectively with the Founders' Warrants, the **"Insider Warrants"**) as follows (collectively, the **"Warrant Amendment"**):

(1) to cause the mandatory redemption, on a *pro rata* basis, of a total of approximately 41,500,000 of Liberty's outstanding warrants (30,000,000 Public Warrants, approximately 7,500,000 Founders' Warrants and 4,000,000 Sponsors' Warrants) immediately upon the consummation of the Acquisition in exchange for 4,000,000 newly issued ordinary shares (of which approximately 2,900,000 will be issued in respect of the Public Warrants and approximately 1,100,000 will be issued in respect of the Insider Warrants), at a ratio of one ordinary share for each 10.36705 warrants redeemed (the **"Mandatory Redemption"**);

(2) to increase the exercise price of the warrants that are not mandatorily redeemed (the **"Remaining Warrants"**) from €7.00 to €11.00 and to extend the expiration date from February 7, 2013 to the five-year anniversary of the closing date of the Acquisition;

(3) to amend the redemption provisions of the Remaining Warrants to permit Liberty to redeem such Remaining Warrants if our ordinary shares trade at or above €16.50 per share (from €13.75 per share) for 20 out of any 30 consecutive trading days; and

(4) to amend certain other provisions of the Remaining Warrants in connection with the transactions described in the proxy and consent solicitation statement.

Copies of the form of the Amended and Restated Public Warrant Agreement and the Amended and Restated Insider Warrant Agreement, as would be in effect if the Warrant Amendment and the Acquisition Proposal are approved, are attached to this proxy and consent solicitation statement as *Annex I* and *Annex J*, respectively.

Liberty's board of directors has fixed June 27, 2009, as the Record Date for the determination of warrant holders entitled to consent to the Warrant Amendment (which is the same date as the Record Date for the determination of shareholders entitled to vote at the extraordinary general meeting). Approval of the Warrant Amendment with respect to Liberty's Public Warrants requires the consent of the registered holders of a majority of Liberty's Public Warrants issued and outstanding as of the Record Date and the approval of the independent directors of Liberty's board (which approval has already been obtained). Approval of the Warrant Amendment with respect to Liberty's Insider Warrants requires the consent of the registered holders of a majority of Liberty's Public Warrants and Insider Warrants issued and outstanding as of the Record Date, each voting as a separate class, and the approval of the independent members of our board of directors. The holders of Liberty's Insider Warrants have already provided their written consent to the amendment of the Insider Warrants and the independent members of our board of directors have already given their approval.

Both the approval of the Warrant Amendment and the completion of the Mandatory Redemption are conditions to the obligation of the Sellers to consummate the transactions contemplated by the Purchase Agreements (which may be waived only by the Sellers in their sole discretion).

IF THE WARRANT AMENDMENT IS APPROVED AND THE ACQUISITION IS CONSUMMATED, YOUR WARRANTS WILL BE SUBJECT TO THE MANDATORY REDEMPTION AND 50% OF YOUR WARRANTS (TAKING INTO ACCOUNT PENDING SETTLEMENTS FOR YOUR ACCOUNT, IF ANY) WILL BE MANDATORILY REDEEMED ON THE DATE OF THE CONSUMMATION OF THE ACQUISITION WHETHER OR NOT YOU CONSENTED TO THE WARRANT AMENDMENT.

* * *

Requests for assistance in filling out and delivering consent cards may be directed to your bank or broker or to RBS, Gustav Mahlerlaan 10, 1082 PP, Amsterdam, The Netherlands (telephone number: +31 20 383 6707, fax number: +31 20 628 0004).

Liberty's board of directors unanimously recommends that all Liberty shareholders vote "FOR" each of the Proposals described in the accompanying proxy and consent solicitation statement and that all Liberty warrant holders provide their consent to the Warrant Amendment. When you consider the recommendation of Liberty's board of directors, you should keep in mind that Liberty's directors and Sponsors have interests in the Acquisition which are described in the accompanying proxy and consent solicitation statement that are different from, or in addition to, your interests as a shareholder and/or a warrant holder.

By Order of the Board of Directors,

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

Nicolas Berggruen
President and Chief Executive Officer

July 3, 2009

YOUR VOTE ON THE PROPOSALS IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE EXTRAORDINARY GENERAL MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE PROXY CARD THROUGH YOUR BANK OR BROKER (BEING OR USING AN ADMITTED INSTITUTION) AS SOON AS POSSIBLE TO MAKE SURE THAT YOUR SHARES ARE REPRESENTED AT THE EXTRAORDINARY GENERAL MEETING.

IF THE WARRANT AMENDMENT IS NOT APPROVED, WE MAY NOT BE ABLE TO CONSUMMATE THE ACQUISITION. THEREFORE, IF YOU ARE A HOLDER OF PUBLIC WARRANTS, PLEASE SIGN, DATE AND RETURN THE CONSENT CARD IN ACCORDANCE WITH THE INSTRUCTIONS PROVIDED THEREIN.

* * *

IMPORTANT INFORMATION

THIS PROXY AND CONSENT SOLICITATION STATEMENT IS GOVERNED BY AND IS TO BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE NETHERLANDS OR, AS APPLICABLE, THE CAYMAN ISLANDS.

THIS PROXY AND CONSENT SOLICITATION STATEMENT IS INTENDED SOLELY FOR USE BY LIBERTY'S SHAREHOLDERS AND WARRANT HOLDERS IN CONNECTION WITH LIBERTY'S SOLICITATION OF PROXIES FROM ITS SHAREHOLDERS AND CONSENTS FROM ITS WARRANT HOLDERS IN CONNECTION WITH THE MATTERS DESCRIBED IN THIS PROXY AND CONSENT SOLICITATION STATEMENT. THIS PROXY AND CONSENT SOLICITATION STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES TO ANY PERSON, OR A SOLICITATION TO ANY PERSON TO BUY ANY SECURITIES OF LIBERTY, AND IS NOT AUTHORIZED BY LIBERTY FOR ANY SUCH PURPOSE.

TO ENSURE COMPLIANCE WITH U.S. INTERNAL REVENUE SERVICE (THE "IRS") CIRCULAR 230, LIBERTY'S SHAREHOLDERS AND WARRANT HOLDERS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS PROXY AND CONSENT SOLICITATION STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY LIBERTY'S SHAREHOLDERS AND WARRANT

HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. FEDERAL TAX LAWS; (II) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (III) LIBERTY'S SHAREHOLDERS AND WARRANT HOLDERS SHOULD SEEK ADVICE BASED ON THEIR OWN PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

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QUESTIONS AND ANSWERS

Unless the context requires otherwise, in this proxy and consent solicitation statement:

- *prior to the consummation of the Acquisition, the terms "we," "us" and "our" refer to Liberty;*
- *following the consummation of the Acquisition, such terms refer to Liberty, which will be renamed "Pearl Group," collectively with its subsidiaries, which will include Pearl and its subsidiaries and Opal Re;*
- *prior to the consummation of the Acquisition, the term the "Pearl Group" refers to Pearl and its subsidiaries from time to time (including for periods beginning on or after May 1, 2008, the acquired Resolution companies);*
- *following the consummation of the Acquisition, the term "Pearl Group" refers to Pearl Group (as Liberty Acquisition Holdings (International) Company will then be known) and its subsidiaries from time to time (including for periods beginning on or after May 1, 2008, the acquired Resolution companies) together with Opal Re and its subsidiaries from time to time; and*
- *the term "Acquired Companies" refers to Sun Capital Investments Limited (***"SCIL"***) (including its 50% interest in Pearl and the subsidiaries of Pearl), Hera Investments One Limited (***"HIOL"***) (including its 50% interest in Pearl and the subsidiaries of Pearl), SunCap Parma TopCo Limited (***"TC1"***) (including its 100% direct interest in SunCap Parma MidCo Limited (***"MC1"***), its 100% indirect interest in Sun Capital Investments No. 2 Limited (***"SC2L"***) and its 12.5% indirect interest in Impala Holdings Limited (***"Impala"***) and the subsidiaries of Impala), TDR Parma TopCo Limited (***"TC2"***) (including its 100% direct interest in TDR Parma MidCo Limited (***"MC2"***), its 100% indirect interest in Hera Investments No. 2 Limited (***"HI2L"***) and its 12.5% indirect interest in Impala and the subsidiaries of Impala) and Opal Re, collectively.*

Q. Why did Liberty issue this proxy and consent solicitation statement?

A. Liberty has agreed to acquire all of the outstanding equity interests in each of the Acquired Companies from the Sellers and the Selling Shareholders pursuant to the terms and conditions of the Purchase Agreements, which are described in this proxy and consent solicitation statement. Copies of the Purchase Agreements are attached to this proxy and consent solicitation statement as *Annex A* and *Annex B*, respectively. We encourage you to read the entirety of each of the Purchase Agreements carefully.

In order to complete the Acquisition, a majority of the Public Shares issued and outstanding as of June 27, 2009, the Record Date, must be voted "FOR" the Acquisition Proposal, provided that (1) holders of more than 30% of Liberty's Public Shares must not have voted against the Acquisition Proposal and elected to have Liberty redeem their shares for a *pro rata* portion of the funds held in our Trust Account and (2) the Warrant Amendment must be approved as described elsewhere in this proxy and consent solicitation statement.

Questions and Answers about the Extraordinary General Meeting and the Proposals

Q. What is being voted on?

A. You are being asked to vote on eight Proposals.

The first Proposal is to approve the Acquisition by Liberty of all of the outstanding equity interests in the Acquired Companies pursuant to the terms of the Purchase Agreements and the transactions contemplated thereby.

The second Proposal is to approve a change of Liberty's name from "Liberty Acquisition Holdings (International) Company" to "Pearl Group" effective upon the consummation of the Acquisition.

The third Proposal is to approve (i) a decrease in the authorized share capital of Liberty from €30,100 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each and 1,000,000 preferred shares of a par value of €0.0001 each) to €30,000 (divided into 300,000,000 ordinary shares of a par value of

€0.0001 each) and (ii) an increase in the authorized share capital of Liberty from €30,000 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each) to €41,000 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each and 110,000,000 Class B ordinary shares of a par value of €0.0001 each).

The fourth Proposal is to approve the removal, effective upon the consummation of the Acquisition, of certain provisions contained in Articles 9.2, 20.1 and 20.4 of the M&AA.

The fifth Proposal is to approve the manner of the repurchase by Liberty of 63,600 ordinary shares held by one of Liberty's Founders and initial directors who resigned on October 29, 2008.

The sixth Proposal is to amend and restate the M&AA, effective upon the consummation of the Acquisition, which will include the amendments referred to in each of the Name Change Proposal, the Authorized Share Capital Proposal and the Quorum Amendment Proposal, and will include, among other things:

- the rights of the Class B ordinary shares, including the right of the Class B ordinary shares to be converted on a one-for-one basis, by variation of rights and re-designation, into ordinary shares, subject to compliance with applicable laws, including the rules and regulations of any investment exchange on which the ordinary shares are admitted to trading;
- provision for the compulsory and automatic redemption of certain Class B ordinary shares in order to meet certain indemnification obligations of the Sellers under the Purchase Agreements (if required); and
- certain additional provisions relating to corporate governance of Liberty and takeover protections following the Acquisition.

The seventh Proposal is to approve the adoption of the LTIP, the RSP, the BSP, the Sharesave Plan and the SIP pursuant to which an aggregate of 3,500,000 Class B ordinary shares will be available for issuance to our directors, officers and employees (including 500,000 Class B ordinary shares to be issued to the Pearl Group's management upon the consummation of the Acquisition under the BSP), and additional ordinary shares will be available for issuance if our ordinary shares are admitted to trading on the Official List of the London Stock Exchange.

The eighth Proposal is to authorize the adjournment of the extraordinary general meeting to a later date or dates, 2009, if necessary, to permit further solicitation and vote of proxies in the event there are insufficient votes at the time of the extraordinary general meeting to adopt any of the foregoing Proposals. Regardless of whether this Adjournment Proposal is approved, our chairman may adjourn the extraordinary general meeting to a later date or dates if there is not a quorum of shareholders present in person or by proxy to hold a valid general meeting on the originally scheduled date of the meeting.

The Acquisition Proposal must be approved by the affirmative vote of a majority of the Public Shares issued and outstanding as of the Record Date, provided that if the holders of 30% or more of the total number of Public Shares vote "AGAINST" the Acquisition Proposal and exercise their right to request redemption of their shares for a *pro rata* portion of the funds held in the Trust Account, then Liberty will not consummate the Acquisition described in the Acquisition Proposal and will not complete the actions contemplated by the remaining Proposals. However, we may then utilize the Adjournment Proposal at any time during the meeting to adjourn the meeting so that we can continue to solicit support for approval of the other transactions contemplated hereby. Our Sponsors and initial independent directors (collectively, the **"Founders"**) have agreed to vote all shares acquired by them after our initial public offering, if any, in favor of the Acquisition Proposal. As of the date hereof, our Founders hold in the aggregate 15,000,000 ordinary shares, none of which were acquired after our initial public offering and therefore none of which are Public Shares.

If the Acquisition Proposal is approved by the requisite number of votes, a special resolution passed by the affirmative vote of holders of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person or by proxy, is required to approve each of the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal and the M&AA Amendment and Restatement Proposal. The approval of the Incentive Plan Proposal, the Share

Repurchase Proposal and, if necessary, the Adjournment Proposal will require the affirmative vote of a majority of the ordinary shares that are present in person or by proxy and entitled to vote at the extraordinary general meeting as of the Record Date. Liberty has been advised that each of its Sponsors and its directors who hold ordinary shares intends to vote all of his or its ordinary shares in favor of each of the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the Adjournment Proposal, the M&AA Amendment and Restatement Proposal and the Adjournment Proposal.

Each of the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal and the Incentive Plan Proposal is conditioned upon the approval of, and shall be effective only upon the consummation of, the Acquisition Proposal. Furthermore, it is a condition to the consummation of the Acquisition for both Liberty and the Sellers under the Purchase Agreements that each of these Proposals and the Acquisition Proposal are approved by Liberty's shareholders, which condition may be waived (to the extent legally able to be waived) only by Liberty and the Sellers in their sole discretion. Therefore, if any other Proposal does not receive the necessary votes for approval, we anticipate that the remaining Proposals will not be presented for voting at the extraordinary general meeting and any Proposals which have been approved will cease to be effective.

A form of Liberty's Third Amended and Restated Memorandum and Articles of Association, as it would appear if the M&AA Amendment and Restatement Proposal is effected, is attached as *Annex C*.

You are invited to attend the extraordinary general meeting to vote on the Proposals described in this proxy and consent solicitation statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign, date and return the proxy card through your bank or broker (being or using an Admitted Institution). Your vote is important. Liberty encourages you to vote as soon as possible after carefully reading this proxy and consent solicitation statement. If you sign and return your proxy card but do not give instructions on how to vote your shares, your shares will be voted, as recommended by our board, "FOR" the approval of the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and, if necessary, the Adjournment Proposal.

This proxy and consent solicitation statement provides you with detailed information about each of the Proposals and, more generally, the extraordinary general meeting of shareholders. We encourage you to carefully read this entire document, including the attached annexes. **IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THOSE FACTORS DESCRIBED UNDER "RISK FACTORS."**

Q. Why is Liberty proposing the Acquisition?

A. Liberty is a blank check company organized for the purpose of effecting a merger, capital stock exchange, asset or stock acquisition, reorganization, exchangeable share transaction or other similar business combination with one or more operating businesses with principal business operations outside North America. Liberty has been in search of a business combination partner since it completed its initial public offering on February 13, 2008. Liberty's board of directors believes that the Acquisition represents a unique opportunity for Liberty to take advantage of recent stresses in the capital markets and acquire an established closed life fund consolidator and related reinsurance company at what the board believes to be a distressed valuation. The board also believes that the Pearl Group's closed life fund consolidator model is well proven, with strong and resilient long-term future cash flows, which are greater than profits, as the Pearl Group releases regulatory capital with the run-off of policies in its closed funds. Since the Pearl Group does not write new life insurance policies (other than increments to existing policies), it does not incur the costs and risks associated with writing capital-intensive new business. As a result of the Pearl Group's recent liquidity and regulatory issues, Liberty's board of directors believes that Liberty would purchase the Pearl Group at a low valuation entry point for Liberty shareholders, below peer group valuations of price to embedded value. Liberty's board of directors believes that the proposed recapitalization of the Pearl

Group in connection with the Acquisition will enable the Pearl Group to take advantage of market consolidation opportunities and withstand foreseeable market stresses.

Q. What vote is required in order to approve the Acquisition Proposal?

A. The affirmative vote of a majority of the Public Shares issued and outstanding as of the Record Date is required to approve the Acquisition Proposal, provided that the Acquisition will not be approved if holders of 30% or more of such shares vote "AGAINST" the Acquisition Proposal and exercise their right to request redemption of their shares for a *pro rata* portion of the funds held in the Trust Account.

Each of Liberty's public shareholders as of the Record Date has the right to vote against the Acquisition Proposal and, at the same time, elect that Liberty redeem such shareholder's ordinary shares for cash equal to a *pro rata* portion of the funds held in the Trust Account, including interest. Shareholders who seek to exercise their redemption rights must submit their vote against approval of the Acquisition Proposal and follow the proper procedures to elect redemption of their shares, as further described in this proxy and consent solicitation statement. Based on the amount of cash held in the Trust Account as of June 1, 2009, without taking into account any interest accrued after such date, a shareholder who votes against the Acquisition Proposal and properly elects to redeem his or her shares will be entitled to approximately €9.93 per redeemed share. These shares will be redeemed for cash only if the Acquisition is completed. If you elect to vote against the Acquisition Proposal but do not properly elect to redeem your shares, then your vote will count against the Acquisition Proposal. However, your shares will not be redeemed and you will not be entitled to your *pro rata* share of the funds in the Trust Account.

If you elect to redeem your shares, your bank or broker, being or using an Admitted Institution, must, by the Deadline of 3:00 p.m., Central European Time, on July 23, 2009, the business day prior to the extraordinary general meeting, electronically transfer your shares to the Euroclear Nederland account of RBS, our transfer agent, and provide RBS with all necessary written instructions that you want to redeem such shares. You can redeem no more shares than those held by you on the Record Date.

If less than a majority of the Public Shares issued and outstanding as of the Record Date vote "FOR" the Acquisition Proposal, or if the holders of an aggregate of 30% or more of such Public Shares vote "AGAINST" the Acquisition Proposal and exercise their right to request redemption of their shares for a *pro rata* portion of the funds held in the Trust Account, none of the other Proposals will be presented for approval, other than the Adjournment Proposal. Furthermore, if the Warrant Amendment is not approved as described elsewhere in this proxy and consent solicitation statement, Liberty may be unable to consummate the Acquisition.

Q. What vote is required in order to approve the Name Change Proposal?

A. The approval of the change of Liberty's corporate name to "Pearl Group" upon the consummation of the Acquisition will require the affirmative vote of holders of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person or by proxy.

Q. What vote is required in order to approve the Authorized Share Capital Proposal?

A. The approval of the decrease in Liberty's authorized share capital from €30,100 to €30,000 and the subsequent increase in Liberty's authorized share capital from €30,000 to €41,000 will require the affirmative vote of holders of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person by proxy.

Q. What vote is required in order to approve the Quorum Amendment Proposal?

A. The approval of the removal of certain provisions contained in Articles 9.2, 20.1 and 20.4 of our M&AA will require the affirmative vote of holders of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person by proxy.

Q. What vote is required in order to approve the Share Repurchase Proposal?

A. The approval of the manner of the repurchase by Liberty of 63,600 ordinary shares held by one of Liberty's Founders and former directors will require the affirmative vote of a majority of the ordinary shares that are present in person or by proxy and entitled to vote thereon at the extraordinary general meeting.

Q. What vote is required in order to approve the M&AA Amendment and Restatement Proposal?

A. The approval of the amendment and restatement of the M&AA effective upon the consummation of the Acquisition will require the affirmative vote of holders of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person by proxy. Additionally, if the Quorum Amendment Proposal does not receive the necessary votes for approval, the M&AA Amendment and Restatement Proposal will not be presented at the extraordinary general meeting.

Q. What vote is required in order to approve the Incentive Plan Proposal?

A. The approval of the adoption of each of the LTIP, the RSP, the BSP, the Sharesave Plan and the SIP (collectively, the **"Share Plans"**) will require the affirmative vote of a majority of the ordinary shares that are present in person or by proxy and entitled to vote thereon at the extraordinary general meeting.

Q. What vote is required in order to approve the Adjournment Proposal?

A. The approval of the Adjournment Proposal will require the affirmative vote of a majority of the ordinary shares that are present in person or by proxy and entitled to vote thereon at the extraordinary general meeting.

Q. Did Liberty's board of directors make a determination as to the value of the Acquired Companies?

A. Liberty's board of directors determined that the consideration payable for the Acquired Companies is fair to, and that the Acquisition is in the best interests of, Liberty and its shareholders. The board of directors also determined that the fair market value of the Acquired Companies is in excess of 80% of the balance of the Trust Account (excluding deferred underwriting discounts and commissions).

Q. Did Liberty's board of directors obtain a fairness opinion in connection with its approval of the Purchase Agreements?

A. No. During the process leading up to the signing of the Purchase Agreements, Liberty's board of directors discussed the option of obtaining a fairness opinion of the proposed Acquisition. Liberty's board of directors determined not to obtain a fairness opinion in connection with the approval of the Purchase Agreements for the following reasons: (1) its internal ability to value the business against public comparables and other market index measures; (2) its general exercise of its business judgment; and (3) its knowledge that the valuation of the proposed Acquisition would be tested by the market and factors that Liberty's public shareholders deem relevant and that 30% of the public shareholders could effectively veto the combination if they did not deem such valuation to be fair.

Q. If I am not going to attend the extraordinary general meeting of shareholders in person, should I return my proxy card instead?

A. Yes. After carefully reading and considering the information contained in this proxy and consent solicitation statement, please complete, sign, date and return the proxy card through your bank or broker, being or using an Admitted Institution (who will inform our proxy agent, RBS), as soon as possible but prior to the Deadline, so that your shares may be represented at the extraordinary general meeting.

Q. If I am going to attend the extraordinary general meeting of shareholders in person, is there anything I need to do?

A. Shareholders who wish to attend the extraordinary general meeting in person must request their bank or broker, being or using an Admitted Institution, to send a confirmation notice to RBS, which confirmation notice must be received by RBS before the Deadline. Such confirmation notice must state the number of shares that are registered with the Admitted Institution's records in the holder's name on the Record Date.

The shareholder will receive a proof of registration with registration number by email or by regular mail. This registration number will serve as an attendance card for the extraordinary general meeting. If a shareholder does not possess an attendance card in time for the extraordinary general meeting, then such shareholder must provide valid proof of identity prior to the meeting at the registration desk.

Q. Does Liberty's board of directors recommend voting for the approval of the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and, if necessary, the Adjournment Proposal?

A. Yes. After careful consideration of the terms and conditions of the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and, if necessary, the Adjournment Proposal, Liberty's board of directors has determined that each of these Proposals is fair to, and in the best interests of, Liberty and its shareholders. Liberty's board of directors unanimously recommends that Liberty's shareholders vote "FOR" each of these Proposals. Please note that the members of Liberty's board of directors may have interests in the Acquisition that are different from, or in addition to, your interests as a shareholder. For a description of such interests, see "The Acquisition Proposal — Interests of Liberty Directors and Officers in the Acquisition."

Q. Are Liberty's Founders exercising their co-investment rights?

A. No. We have agreed to terminate the co-investment obligations of Liberty's Founders, so as to reduce dilution to Liberty following the Acquisition. However, our Sponsors have agreed to purchase, simultaneous with the completion of the Acquisition, up to the number of our Class B ordinary shares as necessary to cause us to have at least £450.0 million available following the closing of the Acquisition. See "Agreements Related to the Acquisition — Contingent Subscription Agreement."

Q. Can I change my vote after my proxy card has been submitted to RBS by my bank or broker?

A. Yes. You can revoke your proxy at any time prior to the Deadline. Once you have submitted a proxy, you may revoke it by submitting another properly completed proxy card with a later date through your bank or broker (being or using an Admitted Institution). Simply attending the extraordinary general meeting will not, by itself, revoke your proxy.

Q. What is the quorum requirement?

A. Pursuant to the M&AA, a quorum of two shareholders present in person or by proxy is necessary to hold a valid general meeting with respect to the Acquisition Proposal. If there is no quorum, our chairman may adjourn the extraordinary general meeting to another date. If the Acquisition Proposal is approved, the remainder of the Proposals may also be considered at the general meeting where the same quorum of two shareholders is present in person or by proxy. If the Acquisition Proposal is not approved, the remainder of the Proposals will not be offered to the shareholders for approval (as such Proposals are conditional upon the Acquisition Proposal being approved), and a more stringent quorum requirement otherwise applicable to these Proposals if the Acquisition Proposal is not approved would be moot.

Q. Will I receive anything in the Acquisition?

A. Except for the ordinary shares issuable to warrant holders pursuant to the Mandatory Redemption, you will not receive anything in the Acquisition. Unless you have voted against the Acquisition Proposal and have elected to redeem your shares for a *pro rata* portion of the funds in the Trust Account, you will continue to hold the ordinary shares and warrants that you currently own (other than warrants redeemed pursuant to the Mandatory Redemption). If the Acquisition is completed but you have voted your shares against the Acquisition Proposal and have properly elected to exercise your redemption rights, your shares will be cancelled and you will receive cash equal to a *pro rata* portion of the funds in the Trust Account (net of €6.0 million of interest earned on the Trust Account that has been released to Liberty prior to the date of this proxy and consent solicitation statement), which, as of June 1, 2009, without taking into account any interest accrued after such date, was equal to approximately €9.93 per Public Share; you also will continue

to hold any warrants that are not mandatorily redeemed in connection with the Warrant Amendment (and such Remaining Warrants will be subject to the amended terms of the Warrant Amendment) and receive additional ordinary shares upon completion of the Mandatory Redemption.

Q. Do I have redemption rights in connection with the Acquisition?

A. If you are a holder of Public Shares, then you have the right to vote against the Acquisition Proposal and elect that Liberty redeem your ordinary shares held on the Record Date for a *pro rata* portion of the funds held in the Trust Account, calculated as of two business days prior to the consummation of the Acquisition. As of June 1, 2009, without taking into account any interest accrued after such date, the Trust Account contained approximately €604.7 million, or €9.93 per Public Share.

Q. How do I exercise my redemption rights?

A. If you wish to exercise your redemption rights, you must vote against the Acquisition Proposal and properly elect that Liberty redeem your shares for cash prior to the vote on the Acquisition Proposal at the extraordinary general meeting (or any adjournment or postponement thereof). If you do not affirmatively vote against the Acquisition Proposal, then you will not be able to exercise your redemption rights. If you exercise your redemption rights, then you will be irrevocably exchanging your ordinary shares for cash and will no longer own those ordinary shares, which will be cancelled. You will only be entitled to receive cash for these shares if you electronically transfer your shares to the Euroclear Nederland account of RBS as described below. Liberty will have sufficient funds in the Trust Account to pay the redemption price for the redemption election shares, even if it must redeem up to, but no more than, 30% of the Public Shares. If the Acquisition Proposal is rejected and the Acquisition is not completed, then your shares will not be redeemed for cash, even if you voted against the Acquisition Proposal and properly elected redemption.

All of the shares issued in our initial public offering are held through Euroclear Nederland. Accordingly, your bank or broker, being or using an Admitted Institution, must, no later than the Deadline, electronically transfer your shares to the Euroclear Nederland account of RBS, our transfer agent, and provide RBS with written instructions that you want to redeem your shares. If your bank or broker (being or using an Admitted Institution) does not transfer the shares to the Euroclear Nederland account of RBS and returns the proxy card by fax, to +31 10 264 4652, email, to as.exchange.agency@nl.abnamro.com, or any other means accepted by RBS, your redemption will be invalid and your shares will not be redeemed.

If you elect redemption of your shares and later decide that you do not want to redeem such shares, your bank or broker (being or using an Admitted Institution) must make arrangements with RBS to withdraw your shares from the Euroclear Nederland account of RBS prior to the consummation of the Acquisition.

We urge shareholders who may wish to exercise their redemption rights to promptly contact the account executive at the organization holding their account to comply with these additional procedures. If such shareholders fail to act promptly, they may be unable to properly satisfy the redemption requirements.

Q. Can I withdraw a request to exercise my redemption rights?

A. Yes. If you elect redemption of your shares and later decide that you do not want to redeem such shares, your bank or broker (being or using an Admitted Institution) must make arrangements with RBS to withdraw your shares from the Euroclear Nederland account of RBS prior to the consummation of the Acquisition.

Q. What happens to my Liberty warrants if I vote against approval of the Acquisition Proposal and exercise my redemption rights?

A. Properly exercising your redemption rights will not result in either the redemption or loss of your warrants. Subject to the Mandatory Redemption of approximately 41,500,000 of Liberty's outstanding warrants and the amendment of all Remaining Warrants pursuant to the Warrant Amendment as more fully described elsewhere in this proxy and consent solicitation statement, your warrants will continue to be outstanding following the consummation of the Acquisition and the redemption of your ordinary shares. Upon

completion of the Mandatory Redemption, if you are still the holder of such warrants, you will receive additional ordinary shares.

Q. What if I object to the proposed Acquisition?

A. If you object to the proposed Acquisition, you have the right to cast your vote "AGAINST" the Acquisition Proposal and to request the redemption of your shares as described elsewhere in this proxy and consent solicitation statement.

Q. What happens to the funds deposited in the Trust Account after consummation of the Acquisition?

A. Upon completion of the Acquisition, Liberty shareholders who voted against the Acquisition Proposal and properly elected to exercise their redemption rights will receive an amount in cash equal to their *pro rata* portion of the funds held in the Trust Account, calculated as of the date that is two business days prior to the completion of the Acquisition. The remaining funds in the Trust Account will be released to Liberty to be used for the payment of the deferred underwriting discounts and commissions from its initial public offering and of expenses associated with its operations and the Acquisition, with the balance to be provided, in the form of intercompany loans, to the Pearl Group for working capital purposes.

Q. What happens if the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal or the Incentive Plan Proposal do not receive the necessary votes for approval?

A. If any of the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal or the Incentive Plan Proposal do not receive the necessary votes for approval, then we anticipate that no further Proposals will be presented at the extraordinary general meeting for approval and any Proposals which have been approved will cease to be effective. In particular, if the Acquisition Proposal does not receive the necessary votes for approval, none of the remaining Proposals will be presented at the extraordinary general meeting. In addition, if the Authorized Share Capital Proposal or the Quorum Amendment Proposal does not receive the necessary votes for approval, the M&AA Amendment and Restatement Proposal will not be presented at the extraordinary general meeting. However, we may utilize the Adjournment Proposal at any time during the meeting to adjourn the meeting so that we can continue to solicit support for approval of the other transactions contemplated hereby. If the Adjournment Proposal is approved, the extraordinary general meeting may be adjourned to a later date or dates to permit further solicitation and vote of proxies.

Q. What happens if, even after adjournment, the Acquisition is not consummated?

A. If, even after adjournment, the Acquisition is not consummated, Liberty will continue to search for a target business to acquire. However, Liberty will be liquidated and dissolved if it does not consummate a business combination by February 13, 2010. In that event, if it expends all of the net proceeds of its initial public offering, other than the proceeds deposited in the Trust Account, and without taking into account interest, if any, earned on the Trust Account, net of interest income on the Trust Account balance that has been released to it to fund working capital requirements, we anticipate that the per-share liquidation price would be €10.08, or €0.08 more than the per-unit offering price of €10.00. Furthermore, because the outstanding warrants are not entitled to participate in a liquidating distribution, the warrants will expire and become worthless if Liberty liquidates and dissolves before completing a business combination. Pursuant to letter agreements addressed to Liberty and executed prior to our initial public offering, the holders of ordinary shares acquired prior to the initial public offering have waived any right to any liquidation distribution with respect to those shares.

Q. If the Acquisition is completed, what will happen to our ordinary shares and warrants?

A. Subject to the Mandatory Redemption of approximately 41,500,000 of Liberty's outstanding warrants and the amendment of all Remaining Warrants pursuant to the Warrant Amendment as more fully described elsewhere in this proxy and consent solicitation statement, the Acquisition will have no effect on the

ordinary shares and warrants currently outstanding. Liberty has agreed with the lenders under Pearl's parents' existing credit facility agreement (the **"Pearl Lenders"**) and under Impala's parents' existing credit facility agreement (the **"Impala Lenders"** and, collectively with the Pearl Lenders, the **"Lenders"**) to use all reasonable endeavors to list its ordinary shares on the London Stock Exchange by June 30, 2010. Until that time, we have agreed to use all reasonable endeavors to ensure that the ordinary shares will continue to trade on Euronext.

Q. When do you expect the Proposals to be completed?

A. Liberty expects that the Acquisition and other actions contemplated in the Proposals (other than the Adjournment Proposal) will be completed as promptly as practicable following the extraordinary general meeting of shareholders to be held on July 24, 2009 and the satisfaction (or waiver) of all other closing conditions. However, Liberty or the Sellers may terminate the Purchase Agreements under certain circumstances, even if shareholders approve the Acquisition Proposal.

Q. What do I need to do now?

A. Liberty urges you to read carefully and consider the information contained in this proxy and consent solicitation statement, including the annexes, and to consider how the Acquisition will affect you as a Liberty shareholder. You should then vote as soon as possible in accordance with the instructions provided in this proxy and consent solicitation statement and on the proxy card. In addition, warrant holders should return the consent card as soon as possible in accordance with the instructions provided therein and in this proxy and consent solicitation statement.

Q. Do I need to deliver my shares?

A. Only holders of Public Shares who elect to exercise their redemption rights must electronically deliver their shares via their bank or broker (being or using an Admitted Institution) to the Euroclear Nederland account of RBS prior to the Deadline. Liberty public shareholders who vote in favor of the approval of the Acquisition Proposal or who otherwise do not elect to have their shares redeemed, should not deliver their shares now or after the Acquisition because their shares will not be redeemed in connection with the Acquisition.

Q. Who is paying for this proxy solicitation?

A. Liberty will pay all costs of preparing, assembling and distributing these proxy materials. In addition to distributing proxy materials, Liberty's chief executive officer and chairman of the board and other officers or directors may solicit proxies without receiving any additional compensation for his or her services. Liberty has requested brokers, banks and other fiduciaries to forward proxy materials to the beneficial owners of its ordinary shares.

Q. How will I be informed about potential supplements to this proxy and consent solicitation statement?

A. If we supplement this proxy and consent solicitation statement, we will do so in a press release and post the press release on our website. In addition, if the press release contains price sensitive information, the press release will, in accordance with Dutch law, be filed with the Dutch Authority for the Financial Markets *(Autoriteit Financiële Marktem)* (the "**AFM**") and Euronext.

Questions and Answers about the Consent Solicitation for the Warrant Amendment

Q. What consent is being solicited?

A. You are being asked to consent to three amendments to both the warrant agreement, dated as of February 5, 2008, by and between Liberty and RBS (the **"Public Warrant Agreement"**) and the warrant agreement, dated as of January 9, 2008, by and between Liberty and its Founders (the **"Insider Warrant Agreement"**).

The first amendment will cause the Mandatory Redemption, on a *pro rata* basis, of a total of approximately 41,500,000 of Liberty's outstanding warrants (30,000,000 Public Warrants, approximately 7,500,000 Founders' Warrants and 4,000,000 Sponsors' Warrants) immediately upon the consummation of the Acquisition in exchange for 4,000,000 newly issued ordinary shares (of which approximately 2,900,000 will be issued in respect of the Public Warrants and approximately 1,100,000 will be issued in respect of the Insider Warrants), at a ratio of one ordinary share for each 10.36705 warrants redeemed.

The second amendment will increase the exercise price of the Remaining Warrants from €7.00 to €11.00 and extend the expiration date from February 7, 2013 to the five-year anniversary of the closing date of the Acquisition.

The third amendment will change the redemption provisions of the Remaining Warrants to permit Liberty to redeem such Remaining Warrants if our ordinary shares trade at or above €16.50 per share (from €13.75 per share) for 20 out of any 30 consecutive trading days.

In addition, in connection with the release by Citigroup Global Markets Limited (**"Citi"**) upon the consummation of the Acquisition of the transfer restrictions applicable to the Founders, you are being asked to consent to an amendment to the Remaining Warrants that are Insider Warrants to remove the transfer restrictions contained therein.

Q. Why is Liberty conducting the consent solicitation to effect the Warrant Amendment?

A. The approval of the Warrant Amendment and the completion of the Mandatory Redemption are conditions to the obligation of the Sellers to consummate the Acquisition. The Sellers have required that Liberty complete the Mandatory Redemption to reduce the dilutive effect of the presently issued and outstanding warrants to purchase an aggregate of 83,000,000 ordinary shares. In addition, the Sellers have required that Liberty amend all Liberty warrants that remain outstanding following the consummation of the Mandatory Redemption to cause such Remaining Warrants, to the extent exercised, to be accretive to Liberty's earnings subsequent to the consummation of the Acquisition.

Q: **Who is eligible to participate in the consent solicitation?**

A. This proxy and consent solicitation statement and the consent card are being made available to all persons who were holders of Public Warrants on the Record Date, which is June 27, 2009. This date has been fixed by Liberty as the Record Date for the determination of warrant holders entitled to consent to the Warrant Amendment (as well as the Record Date for the determination of shareholders entitled to vote at the extraordinary general meeting). Liberty reserves the right to establish from time to time (but in all cases prior to receipt of the requisite Warrant Amendment consents), any new date as such Record Date and, thereupon, any such new date will be deemed to be the Record Date for purposes of the consent solicitation.

The holders of Liberty's Insider Warrants have already provided their written consent to the amendment of the Insider Warrant Agreement (including the terms of the Insider Warrants issued thereunder).

Q. Must I pay an exercise price in connection with the Mandatory Redemption?

A. No. Warrant holders will not be required to pay an exercise price in connection with the Mandatory Redemption or otherwise in connection with the Warrant Amendment.

Q. If the Warrant Amendment is approved, what will I receive upon the consummation of the Mandatory Redemption?

A. Immediately upon the consummation of the Acquisition, approximately 41,500,000 of Liberty's outstanding warrants (30,000,000 Public Warrants and approximately 11,500,000 Insider Warrants) will be mandatorily redeemed in exchange for 4,000,000 newly issued ordinary shares (of which approximately 2,900,000 will be issued in respect of the Public Warrants and approximately 1,100,000 will be issued in respect of the Insider Warrants), at a ratio of one ordinary share for each 10.36705 warrants redeemed. This will result in the redemption of 50% of the warrants held by each individual warrant holder. For example, if on the date of the consummation of the Acquisition you hold warrants exercisable for 1,000,000 ordinary shares, warrants exercisable for 500,000 ordinary shares would be mandatorily

redeemed immediately upon the consummation of the Acquisition. As a result, after the consummation of the Acquisition, you would hold warrants (with revised terms) exercisable for 500,000 ordinary shares and would receive approximately 48,230 ordinary shares pursuant to the Mandatory Redemption. Ordinary shares received in connection with the Mandatory Redemption will be freely tradable.

Q. When will I receive my ordinary shares issued in connection with the Mandatory Redemption?

A. Such ordinary shares will be credited to your securities account with your bank or broker being or using an Admitted Institution via book-entry transfer promptly following the consummation of the Acquisition.

Q. When does the consent solicitation expire?

A. The consent solicitation expires at 3:00 p.m., Central European Time, on July 23, 2009, which is the business day immediately prior to the date of the extraordinary general meeting.

Q. Can Liberty extend the expiration of the consent solicitation?

A. Yes, we reserve the right to extend the period of time that the consent solicitation is open by giving oral or written notice to RBS and by timely public announcement. During any extension, all consents previously delivered will remain subject to the consent solicitation.

Q. How do I consent to the proposed amendments?

A. All of our Public Warrants are held through Euroclear Nederland. Accordingly, your bank or broker, being or using an Admitted Institution, must, no later than the Deadline, submit your consent card to RBS.

Q. May I consent with respect to only a portion of the warrants that I hold?

A. No. You must consent with respect to all of your warrants to participate in the consent solicitation.

Q. How many "consents" are needed to effect the proposed amendments to the warrants?

A. The amendment of Liberty's Public Warrants requires the consent of the registered holders of a majority of Liberty's Public Warrants issued and outstanding as of the Record Date and approval of the independent directors of Liberty's board (which approval has already been obtained). As of the Record Date, there were 60,000,000 outstanding Public Warrants, and therefore, the consent of holders of more than 30,000,000 Public Warrants is required to approve the amendment of the Public Warrant Agreement.

The amendment of Liberty's Insider Warrants requires the consent of the holders of a majority of Liberty's Public Warrants and Insider Warrants issued and outstanding as of the Record Date, each voting as a separate class and approval of the independent directors of Liberty's board (which approval has already been obtained). The holders of Liberty's Insider Warrants have already provided their written consent to the amendment of the Insider Warrant Agreement. However, the consent of holders of more than 30,000,000 Public Warrants is still required to approve the amendment of the Insider Warrant Agreement.

Neither the Public Warrants nor the Insider Warrants will be amended unless the consents described above are obtained and the Acquisition is consummated. If you do not instruct your broker or bank to deliver your consent card, such failure will have the same effect as not consenting to the Warrant Amendment.

If the required consents are obtained, assuming the Acquisition is consummated, the proposed amendments to the warrants will be binding on all warrant holders, including warrant holders that did not consent to the Warrant Amendment.

Q. If Liberty obtains the required consents to amend the warrants, but I don't consent, will the proposed amendments be binding on me and will my warrants be subject to the Mandatory Redemption?

A. Yes. If the required consents are obtained and the Acquisition is consummated, the proposed amendments to the warrants will be binding on all warrant holders, and 50% of your warrants held by you on the date of the consummation of the Acquisition will be mandatorily redeemed, whether or not you consented to the Warrant Amendment.

Q. Are there any other conditions to the effectiveness of the Warrant Amendment?

A. Yes. Even if the required consents to approve the Warrant Amendment are obtained, if the Purchase Agreements are terminated in accordance with their terms or the consummation of the Acquisition does not occur on or prior to October 5, 2009 for any reason, the consent solicitation will terminate, all previously delivered consents will be voided and the Warrant Amendment will not become effective.

Q. After my consent card has been delivered to RBS, may I revoke it?

A. No. Once delivered, consents may not be revoked for any reason.

Q. Does Liberty's board of directors recommend that I consent to the Warrant Amendment?

A. Yes. As the approval of the Warrant Amendment is a condition to the obligation of the Sellers to consummate the transactions contemplated by the Purchase Agreements, Liberty's board of directors unanimously recommends that you consent to the Warrant Amendment.

Q. What are the U.S. federal income tax consequences of the Mandatory Redemption of my warrants?

A. Subject to passive foreign investment company **("PFIC")** and controlled foreign corporation **("CFC")** rules discussed in this proxy and consent solicitation statement, although the issue is unclear, the Mandatory Redemption may be tax-free as a recapitalization for U.S. federal income tax purposes. However, different U.S. federal income tax treatment is possible. See "The Acquisition Proposal — U.S. Federal Income Tax Consequences — Exercise, Lapse or Disposition of a Warrant."

Additional Questions and Answers

Q. Who can help answer my questions?

A. If you have questions about the extraordinary general meeting, the Proposals or the Warrant Amendment, or if you need additional copies of this proxy and consent solicitation statement, the proxy card or the consent card you should contact Liberty at:

Liberty Acquisition Holdings (International) Company
Bison Court
Road Town, Tortola
British Virgin Islands, VG1110
Attn: Secretary
Tel: +1 284 494-7605
Fax: +1 284 494-8251

Additional copies of this proxy and consent solicitation statement or any annex to this proxy and consent solicitation statement may be obtained free of charge by directing a request to our transfer agent at:

RBS
Equity Capital Markets/Corporate Actions HQ3130
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
Tel: +31 20 383 6707
Fax: +31 20 628 0004
Email: corporate.actions@rbs.com

You may also obtain additional information about Liberty from documents filed with the AFM by following the instructions herein under "Where You Can Find Additional Information."

SUMMARY

This summary is being provided with respect to the extraordinary general meeting of our shareholders, each of the Proposals and the Warrant Amendment. Although the Acquisition Proposal is the primary reason we called the extraordinary general meeting, the other Proposals and the Warrant Amendment are important as well. This summary may not contain all of the information that is important to you. For a more complete description of the transactions contemplated by the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and the Adjournment Proposal, as well as the Warrant Amendment and the Mandatory Redemption, you should carefully read this entire proxy and consent solicitation statement, including the attached annexes and the risks described under "Risk Factors."

Unless otherwise indicated, for the purpose of calculating share ownership following the consummation of the Acquisition, we have assumed (i) that no holders of Public Shares exercise their redemption rights in connection with the Acquisition and (ii) the issuance of all Class B ordinary shares issuable under the Share Plans.

The Principal Parties

Liberty

Liberty is a company incorporated under the Companies Law (2007 Revision) of the Cayman Islands (the **"Companies Law")** on January 2, 2008, as an exempted company with limited liability. Liberty was formed to acquire one or more operating businesses with principal business operations outside North America through a merger, capital stock exchange, share purchase, asset acquisition, reorganization or similar transaction. Our efforts in identifying prospective target businesses are not limited to a particular industry.

On February 13, 2008, we consummated our initial public offering of 60,000,000 units at an offering price of €10.00 per unit. After payment of underwriters' discounts and commissions of €18.7 million, net proceeds of €589.2 million (including approximately €9.0 million of deferred underwriting fees) were deposited into the Trust Account. These proceeds will be part of the funds distributed to Liberty's public shareholders in the event it is unable to complete an initial business combination. The remaining proceeds of €100,000 were retained by Liberty for business, legal and accounting due diligence on prospective transactions and continuing general and administrative expenses.

Our units were initially admitted for trading on Euronext on February 6, 2008, under the symbol LIACU. The shares and warrants that comprise the units began to trade separately on March 14, 2008, under the symbols LIACS and LIACW, respectively. As of that date, the units ceased to exist as a separate security and were no longer listed.

Our executive office is located at Bison Court, Road Town, Tortola, British Virgin Islands, VG1110. The telephone number of our executive offices is +1 284 494 7605.

Our website address is www.libertyacquisitionholdingsinternational.com.

The Pearl Group

The Pearl Group is a closed fund consolidator that specializes in the management and acquisition of closed life and pension funds and operates primarily in the United Kingdom. Measured by total assets, the Pearl Group is the largest U.K. consolidator of closed funds.

The Pearl Group was formed in April 2005 in connection with the acquisition of HHG PLC's closed life companies by TDR Capital Nominees Limited **("TDR Capital")** and certain principals of Sun Capital Partners **("Sun Capital")** and was further expanded with the acquisition of Resolution plc in May 2008. The Pearl Group does not write any new policies (other than increments to existing policies) and is therefore focused on the efficient "run-off" of the group's policies, maximizing economies of scale and generating capital efficiencies through internal fund mergers and other operational improvements.

The Pearl Group has eight main life companies: Pearl Assurance plc **("Pearl Assurance"),** London Life Limited **("London Life"),** National Provident Life Limited **("National Provident Life"**), NPI Limited **("NPI"),** Phoenix Life Limited **("Phoenix Life"),** Phoenix and London Assurance Limited **("Phoenix and London Assurance"),** Phoenix Pensions Limited **("Phoenix Pensions")** and Scottish Mutual International Limited **("SMI"**).

The Pearl Group's two wholly owned service companies, Pearl Group Services Limited (**"Pearl Group Services"**) and Pearl Group Management Services Limited (**"Pearl Group Management Services"**), provide administrative services required by the Pearl Group life Limited companies, including policy administration, information technology, finance and facility management services.

The Pearl Group also has two asset management businesses:

- Ignis Asset Management Limited **("Ignis")** is a traditional asset manager, with £47.5 billion of assets under management as of December 31, 2008, including £41.7 billion of Pearl Group life company assets and £5.8 billion of third-party assets (including £1.5 billion of assets subsequently transferred to Royal London); and
- Axial Investment Management Limited **("Axial")** specializes in providing asset management and asset liability management services to the Pearl Group life companies and related companies, including asset allocation and risk management advice, with £23.4 billion of Pearl Group and related company assets under management as of December 31, 2008, managed by both external investment managers under Axial's oversight and directly by Axial in relation primarily to fixed-income assets.

As of December 31, 2008, the Pearl Group had an unaudited gross embedded value of £4.75 billion, approximately 7.6 million policies in force representing liabilities of £60.9 billion and total assets under management of approximately £70.9 billion, including both assets of the Pearl Group life companies and third-party assets managed by the Pearl Group.

Opal Re

In 2007, the Pearl Group reinsured the majority of the in-payment annuity business of its life companies, Pearl Assurance, NPI and London Life, with Opal Re. Opal Re is a Bermuda reinsurance company that is currently outside the Pearl Group but connected to the group by virtue of common shareholders. In connection with the Acquisition, Opal Re will become a wholly-owned subsidiary of Liberty.

As of December 31, 2008, the Pearl Group had reinsured approximately £3.5 billion of annuity liabilities with Opal Re.

The Acquired Companies

The Acquired Companies include:

- SCIL, including its 50% interest in Pearl and the subsidiaries of Pearl;
- HIOL, including its 50% interest in Pearl and the subsidiaries of Pearl;
- TC1, including its 100% direct interest in MC1, its 100% indirect interest in SC2L and its 12.5% indirect interest in Impala and the subsidiaries of Impala;
- TC2, including its 100% direct interest in MC2, its 100% indirect interest in HI2L and its 12.5% indirect interest in Impala and the subsidiaries of Impala; and
- Opal Re.

The Acquisition

Liberty's board of directors believes that the Acquisition represents a unique opportunity for Liberty to take advantage of recent stresses in the capital markets and acquire an established closed life fund consolidator and related reinsurance company at what the board believes to be a distressed valuation. The board also believes that the Pearl Group's closed life fund consolidator model is well proven, with strong and resilient long-term future cash flows, which are greater than profits, as the Pearl Group releases regulatory capital with the run-off of policies in its closed funds. Since the Pearl Group does not write new life insurance policies

(other than increments to existing policies), it does not incur the costs and risks associated with writing capital-intensive new business. As a result of the Pearl Group's recent liquidity and regulatory issues, Liberty's board of directors believes that Liberty would purchase the Pearl Group at a low valuation entry point for Liberty shareholders, below peer group valuations of price to embedded value. Liberty's board of directors believes that the proposed recapitalization of the Pearl Group in connection with the Acquisition will enable the Pearl Group to take advantage of market consolidation opportunities and withstand foreseeable market stresses.

The Debt Restructuring

In connection with the closing of the Acquisition, the two existing credit facilities described below under "— Structure of the Pearl Group Upon Consummation of the Proposed Acquisition" will be amended and restructured. For further information about the restructured credit facilities, see "Agreements Related to the Acquisition — Credit Facilities." In addition, the Pearl Group's existing debt to Royal London described under "Agreements Related to the Acquisition — Royal London Agreements" will be restructured. As a result of those restructurings, and based on the position as of December 31, 2008, the Pearl Group's debt to its Lenders will be reduced by approximately £325.0 million and its debt to Royal London will be reduced by approximately £232.0 million.

The Purchase Agreements

The Purchase Agreements provide for the acquisition by Liberty of all of the outstanding equity interests of the Acquired Companies. Following the consummation of the Acquisition, the business and assets of the Acquired Companies and their subsidiaries will be our only business and assets.

Consideration

In connection with the Acquisition and the debt restructuring, Liberty will issue:

- to the Sellers and Selling Shareholders, (i) at the closing of the Acquisition, 38,900,000 Class B ordinary shares and (ii) following the closing, up to an additional 26,500,000 ordinary shares under certain circumstances as described herein;
- to the Lenders, (i) at the closing, 3,500,000 ordinary shares (freely tradeable) and 4,190,000 Class B ordinary shares, warrants to purchase 5,000,000 Class B ordinary shares and loan notes in the original principal amount of £75.0 million in the aggregate (to be issued by two Liberty subsidiaries following the consummation of the Acquisition) and (ii) following the closing, up to an additional 8,500,000 ordinary shares under certain circumstances as described herein;
- to Royal London, 6,180,000 Class B ordinary shares and warrants to purchase 12,360,000 Class B ordinary shares; and
- to certain other parties, an aggregate of 1,500,000 Class B ordinary shares (including 500,000 Class B ordinary shares to be issued to management pursuant to the Pearl Group Purchase Agreement subject to the terms of the BSP).

The shares received by the Sellers, the Lenders and Royal London will represent approximately 29.4%, 5.8% and 4.7%, respectively, of Liberty's outstanding shares immediately following the Acquisition. On a fully diluted basis, including the issuance of all conditional shares issuable under the Contingent Consideration Agreement and the Contingent Fee Agreement, the shares received by the Sellers, the Lenders and Royal London will represent approximately 28.4%, 9.2% and 8.1%, respectively, of Liberty's outstanding shares immediately following the consummation of the Acquisition.

The Class B ordinary shares are identical to our Public Shares, except that the Class B ordinary shares are redeemable and are convertible into ordinary shares on a one-for-one basis, by variation of rights and re-designation, subject to compliance with applicable laws (including the rules and regulations of any investment

exchange on which Liberty's ordinary shares are admitted to trading). Certain of the Class B ordinary shares issued to the Sellers are redeemable to satisfy claims under the Purchase Agreements.

Pursuant to the Sellers' Relationship Agreement and the Lenders' Relationship Agreement, Liberty has undertaken to use all its reasonable endeavors to obtain a listing on the Official List of the London Stock Exchange for its ordinary shares as soon as reasonably practicable following the consummation of the Acquisition, and in any event by June 30, 2010. In the event that such a listing cannot be obtained, Liberty has undertaken to ensure that any unlisted ordinary shares are admitted to trading on Euronext by no later than September 30, 2010.

Liberty has agreed to provide not less than £450 million of additional capital (including the funds remaining in the Trust Account after Liberty redeems the ordinary shares of any holders of Public Shares who properly exercise their redemption rights, pays the deferred underwriting discounts and commissions from Liberty's initial public offering and pays expenses associated with Liberty's operations and the Acquisition) to the Pearl Group following the closing of the Acquisition.

Based on the closing sale price of the ordinary shares on the trading day preceding the Record Date of €9.70 per share, the aggregate value of the shares:

- issuable to the Sellers and the Selling Shareholders (assuming the issuance of the maximum number of contingent shares to which those holders may be entitled) will be approximately €634.4 million;
- issuable to the Lenders (assuming the exercise in full by the Lenders of the Lender Warrants and the issuance of the maximum number of contingent shares to which the Lenders may be entitled) will be approximately €205.5 million;
- issuable to Royal London (assuming the exercise in full by Royal London of the Royal London Warrants) will be approximately €179.8 million; and
- issuable to the Liberty Sponsors (or such third parties as they may designate) will be approximately €9.7 million.

Liberty and the Pearl Group estimate that they will incur direct restructuring and transaction costs of approximately £70.0 million associated with the Acquisition and the debt restructuring, which will be included as a part of the total purchase cost for accounting purposes if the Acquisition and the debt restructuring are completed.

Closing

Upon the consummation of the Acquisition, Liberty will acquire all of the outstanding equity interests of the Acquired Companies, which will become wholly-owned subsidiaries of Liberty, and the Sellers will receive the acquisition consideration described above.

Liberty and the Sellers plan to complete the Acquisition as promptly as practicable after the extraordinary general meeting, provided that:

- Liberty's shareholders have approved the Acquisition Proposal and each of the other Proposals, and Liberty's warrant holders have approved the Warrant Amendment;
- holders of not more than 30% of Liberty's Public Shares have voted against the Acquisition Proposal and properly elected to have Liberty redeem their shares for a *pro rata* portion of the funds held in the Trust Account; and
- the other conditions specified in the Purchase Agreements and described below under "— Conditions to the Completion of the Acquisition" have each been satisfied or waived (where possible) in accordance with their respective terms.

If Liberty shareholder approval has not been obtained at that time, or any other conditions to the Acquisition have not been satisfied or waived, the Acquisition will be completed promptly after shareholder

approval is obtained or the remaining conditions are satisfied or waived (where possible) by Liberty and the Sellers.

Management Following the Acquisition

Upon the consummation of the Acquisition, Liberty will change its name to "Pearl Group," our existing directors will resign and the size of our board will be increased to up to 15 members, including the following persons: Ian Ashken, Rene Pierre Azria, David Barnes, Ian Cormack, Manjit Dale, Jonathan Evans, Jonathan Moss, Hugh Osmond and Simon Smith. Prior to the consummation of the Acquisition, or as soon as practicable thereafter, we intend to identify and appoint that number of additional directors as is necessary for us to have not less than half of the board of directors of Liberty comprising independent directors. Jonathan Moss will become our chief executive officer and Simon Smith will become our finance director.

Structure of the Pearl Group Upon Consummation of the Proposed Acquisition

The first diagram below depicts the Pearl Group's organization structure, in simplified form, prior to the consummation of the proposed Acquisition. As the diagram illustrates, there are currently three tiers of intermediary companies between Pearl and Impala on the one hand and Sun Capital and TDR Capital on the other. The intermediary holding structure above Pearl was implemented in connection with Sun Capital's and TDR Capital's acquisition of HHG PLC's closed life companies in April 2005. These closed life companies became part of the then-newly formed Pearl Group in order to hold the bank financing for the acquisition (the **"Pearl Acquisition Credit Facility"**), in a manner so that the financing would not need to be included for purposes of calculating the regulatory capital of the Pearl Group's entities that are regulated by the Financial Services Authority **("FSA")**. The three-tier intermediary holding structure above Impala was implemented for similar reasons in connection with the bank financing for the acquisition of Resolution in May 2008 (the **"Impala Acquisition Credit Facility"**). At the same time, Impala became a 75%-owned subsidiary of Pearl. The Pearl holding structure and the Impala holding structure are intended to ring-fence the Pearl Acquisition Credit Facility and the Impala Acquisition Credit Facility from each other.

The second diagram below depicts our organization structure in simplified form following consummation of the proposed Acquisition. As the diagram illustrates, all of the Pearl Group's operations will continue to be conducted by, and all of Pearl Group's assets that constituted the Pearl Group's business prior to the Acquisition will continue to be held by, the Acquired Companies. This includes all assets, properties and liabilities of the Pearl Group. No portion of the Pearl Group's business reflected in its consolidated historical financial statements as of and for the year ended December 31, 2008 will be excluded from the Acquisition.

As part of the proposed Acquisition, we will also acquire the capital interests in certain entities that are currently held, directly or indirectly, by or on behalf of Sun Capital, TDR Capital and certain management and employees of the Pearl Group and that are currently not owned, directly or indirectly, by Pearl, including:

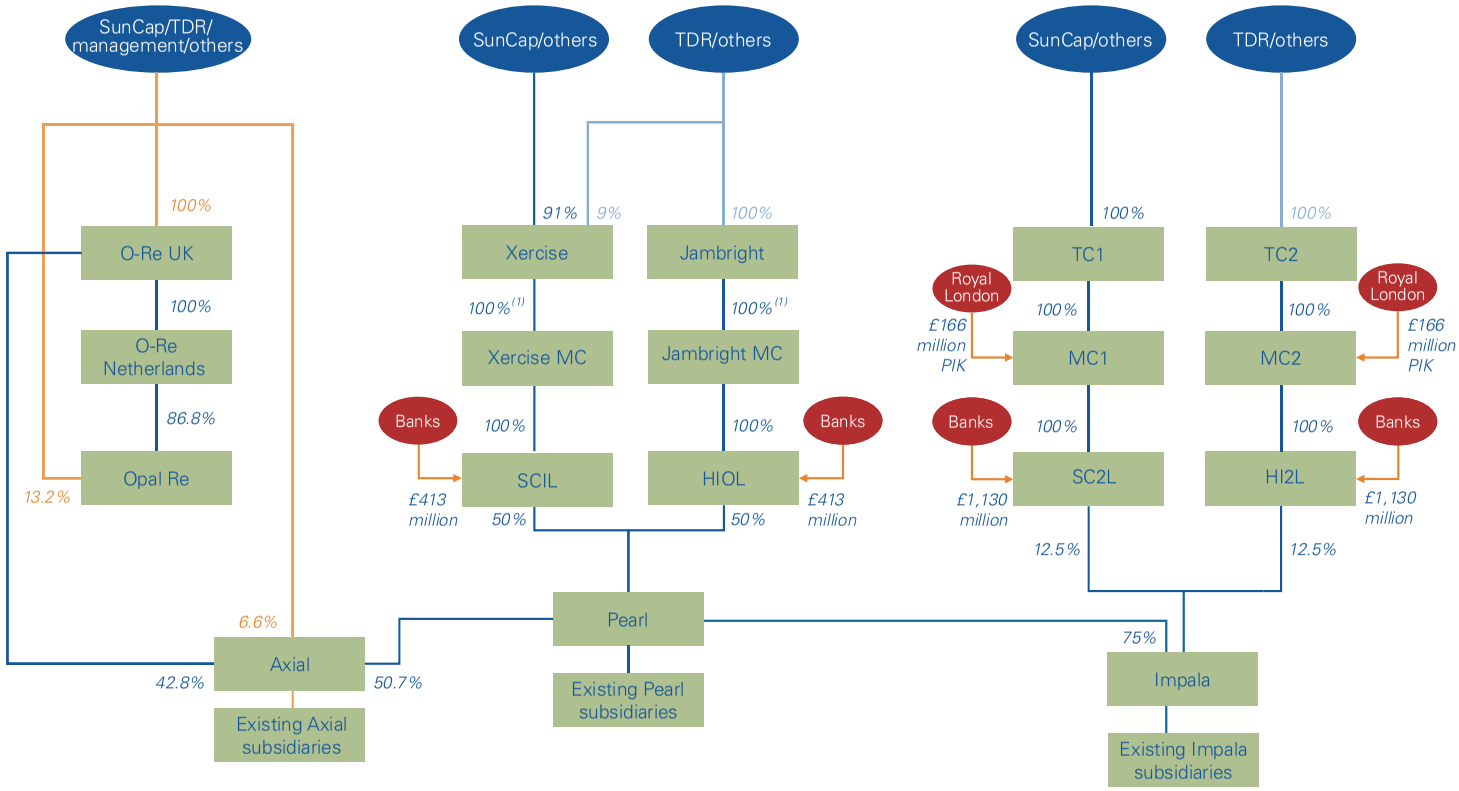
- the 99.8% interest of Opal Re that is currently beneficially owned by Sun Capital and TDR Capital and the 0.2% interest in Opal Re that is currently directly held by and on behalf of certain management and employees of Opal Re, making Opal Re our wholly-owned direct subsidiary upon consummation of the proposed Acquisition; and

- the 100% interest in the three tiers of intermediary companies (with the exception of Xercise Limited and Xercise MidCo Limited, Jambright Limited and Jambright MidCo Limited) that currently sit in the corporate group structure between Pearl and Impala on the one hand and Sun Capital and TDR Capital on the other. SCIL and HIOL (collectively, the **"Pearl Borrowers"**) will continue to be the direct borrowers under the refinanced Pearl Acquisition Credit Facility (the **"Pearl Facility"**), and SC2L and HI2L (collectively, the **"Impala Borrowers"**) will continue to be the direct borrowers under the refinanced Impala Acquisition Credit Facility (the **"Impala Facility"**). As a result of the acquisition of TC1, TC2 and their subsidiaries, Liberty will acquire the 25% interest in Impala that is currently beneficially owned by Sun Capital and TDR Capital, making Impala our indirect wholly-owned subsidiary upon consummation of the proposed Acquisition.

An intermediary holding company incorporated under the laws of England (**"NewCo"**) will be inserted between Pearl and SCIL and HIOL prior to the consummation of the Acquisition. We will acquire NewCo in connection with the Acquisition.

Upon the consummation of the Acquisition, Liberty will be renamed Pearl Group, and Pearl will be renamed Pearl Group Holdings (No. 2) Limited.

The Pearl Group Pre-Acquisition Organizational Structure



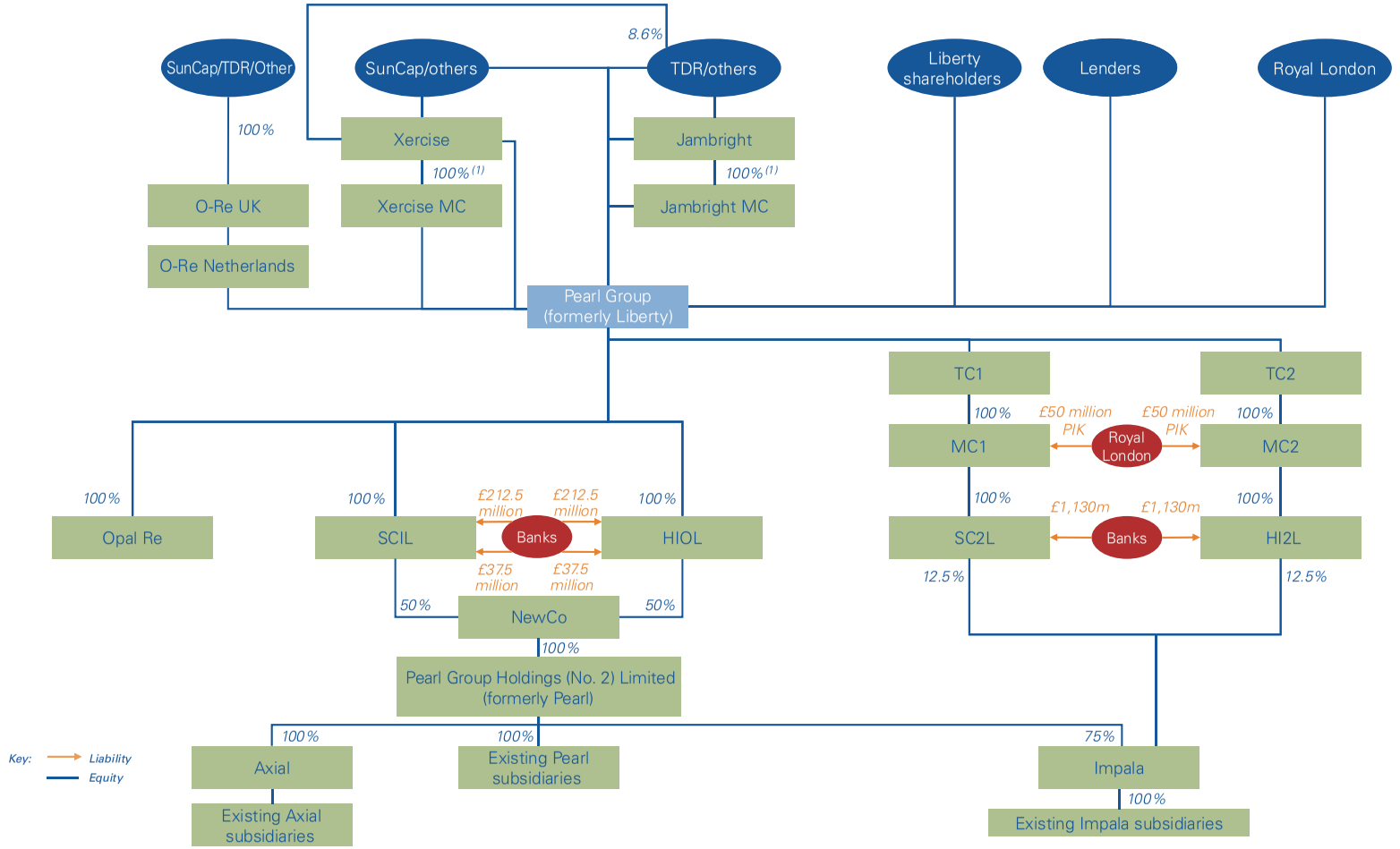
(1) The 100% shareholdings in Xercise MC and Jambright MC do not include management employee shareholdings, as the value of these holdings is minimal.

Key: → ***Liability***

Jambright = Jambright Limited
Jambright MC = Jambright Midco Limited
Opal-Re = O-Re Holdings (Netherlands) B.V.
O-Re UK = O-Re Holdings UK Limited
PIK = payment-in-kind loans
SunCap = Sun Capital
TDR = TDR Capital
Xercise MC = Xercise Midco Limited
Xercise = Xercise Limited

For information about the Pearl Group's borrowings as of December 31, 2008, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Pearl Group – Liquidity and Capital Resources – Historical Borrowings."

Post-Acquisition Corporate Organizational Structure



(1) 100% shareholding in Xercise MC and Jambright MC disregards management shareholdings, as these shareholdings are minimal.

HIOL = Hera Investments One Limited
Jambright = Jambright Limited
Jambright MC = Jambright Midco Limited

Opal-Re Netherlands = O-Re Holdings (Netherlands) B.V.
O-Re UK = O-Re Holdings UK Limited
PIK = payment-in-kind loans

SunCap = Sun Capital
TDR = TDR Capital
Xercise MC = Xercise Midco Limited

Xercise = Xercise Limited

Beneficial Ownership Following the Proposed Acquisition

The consummation of the Acquisition will have a substantial dilutive effect on the current holders of ordinary shares in Liberty. Current shareholders of Liberty will be reduced from owning 100% of the currently outstanding voting shares of Liberty to owning approximately 52.3% of our ordinary shares on a fully diluted and fully converted basis.

Interests of Liberty Directors and Officers in the Acquisition

In considering the recommendation of Liberty's board of directors to vote "FOR" the Acquisition Proposal, you should be aware that all of the members of Liberty's board of directors have agreements or arrangements that provide them with interests in the Acquisition that differ from, or are in addition to, those of Liberty shareholders generally. In particular:

- if the Acquisition is not approved and Liberty fails to consummate an alternative transaction by February 13, 2010, the ordinary shares and warrants held by Liberty's Founders will be worthless because Liberty's Founders are not entitled to receive any of the net proceeds of Liberty's initial public offering that may be distributed upon liquidation of Liberty. Liberty's Founders beneficially own a total of 15,000,000 ordinary shares that had a market value of €145.5 million based on Liberty's share price of €9.70 as of the Record Date, and 15,000,000 warrants that had a market value of €10.5 million, based on Liberty's warrant price of €0.70 as of the Record Date. Liberty's Sponsors also beneficially own warrants to purchase 8,000,000 ordinary shares that had a market value of €5.6 million based on Liberty's warrant price of €0.70 as of the Record Date; and

- none of our current directors will continue as directors of Liberty.

In addition, Liberty's Sponsors, directors and officers may make additional open market purchases of ordinary shares or warrants prior to the extraordinary general meeting. Although such ordinary shares will not be subject to any voting restrictions applicable to Liberty's Sponsors, directors or officers, those entities and individuals have advised us that they intend to vote all ordinary shares acquired by them after our initial public offering, if any, with the right to vote at the extraordinary general meeting in favor of the Acquisition Proposal and the other Proposals described in this proxy and consent solicitation statement.

Interests of Shareholders of the Pearl Group and Opal Re in the Acquisition

You should understand that some of the Sellers have interests in the Acquisition that are different from, or in addition to, your interests as a shareholder. In particular, Hugh Osmond and Manjit Dale are expected to become members of the board; Jonathan Moss is expected to become our chief executive officer; and Simon Smith is expected to become our finance director.

Currently, the Sellers do not own any Liberty ordinary shares or warrants. The Sellers may make open market purchases of ordinary shares or warrants prior to the extraordinary general meeting. Because any such purchases would occur after the Record Date, the Sellers would not have the right to vote any of such shares at the extraordinary general meeting. However, in such event the Sellers may seek to cause the transferors of such shares to vote "FOR" the approval of the Proposals. In addition, the Sellers have agreed to enter into agreements not to compete with Liberty for a period of one year following the closing of the Acquisition.

Controlled Foreign Corporations

For information regarding certain U.S. tax risks were we to be or to become a CFC, see "Risk Factors — Risks Related to U.S. Taxation — U.S. persons who own 10% or more of our ordinary shares (or that qualify as RPII shareholders) may be subject to adverse tax consequences under the controlled foreign corporation rules."

Passive Foreign Investment Companies

For information regarding certain U.S. tax risks were we to be or become a PFIC, see "Risk Factors — Risks Related to U.S. Federal Income Taxation — We may be a passive foreign investment company, which could lead to additional taxes for U.S. holders of our shares or warrants."

Conditions to the Completion of the Acquisition

The obligations of each of Liberty and the Sellers to complete the Acquisition are subject to the satisfaction or waiver (other than the condition relating to Royal London, which is not waivable) by the other party at or prior to the consummation of the Acquisition of various conditions, including:

- the warranties of the other party must be true and correct except as would not have a material adverse effect;
- the other party's performance or compliance with its covenants and agreements contained in the applicable Purchase Agreement and the transaction documents;
- no litigation or action being threatened in writing, instituted or pending that is reasonably likely to make illegal, delay, restrain, prohibit or otherwise adversely affect consummation of the Acquisition or that would otherwise have a material adverse effect on the Pearl Group, Opal Re or Liberty or prevent Liberty from exercising full rights of ownership of the shares of the Acquired Companies to be purchased in the Acquisition;
- the absence of any law or action by any court or other government entity that may inhibit or have a material adverse effect on the Pearl Group or Liberty or that would adversely affect the consummation of the Acquisition;
- the receipt of all required approvals and consents and their submission to the other party;
- the termination or expiration of all antitrust-related waiting periods, the receipt of all antitrust approvals and consents and the filing of all antitrust notices or filings required or deemed by both parties (acting reasonably) to be desirable to have been made;
- the approval by Liberty's shareholders of the Acquisition and the other Proposals contained in this proxy and consent solicitation statement;
- consent by the requisite number of warrant holders to effect the Warrant Amendment and the Mandatory Redemption;
- the execution and delivery by each of the other parties of each of the transaction documents;
- an amount in aggregate capital to £75,000,000 of additional funds standing to the credit of TC1 and TC2's bank accounts (when taken together), freely available for use without delay;
- the satisfaction of the conditions set out in a pensions agreement between Pearl and the Pearl Group Pension Scheme trustees dated June 26, 2009;
- agreement to the amendment of Liberty's M&AA as described herein;
- the receipt of FSA and any other relevant regulatory approval;
- no obligation of any party under the U.K. City Code on Takeovers and Mergers;
- the confirmation, amendment or termination of the Pearl Group's related party transactions; and
- all conditions to the transactions contemplated by the Royal London Settlement Deed having been satisfied or waived in full such that closing of the Royal London Settlement Deed may occur simultaneously with the closing of the Acquisition.

The Sellers' obligation to complete the Acquisition is also subject to Liberty having not less than £450.0 million in cash (after the payment of deferred underwriting discounts and commissions and expenses

associated with Liberty's operations and the Acquisition) in the Trust Account (or otherwise available pursuant to the contingent subscription agreement entered into between Liberty and its Sponsors (the **"Contingent Subscription Agreement"**)).

In addition, at the closing date of the Acquisition, the Sellers must demonstrate that TC1 and TC2 have received additional funds prior to the consummation of the Acquisition. These new funds must constitute freely available funds and amount to not less than, in aggregate, £75.0 million. It is currently anticipated that TC1 and TC2 will raise these new funds by a combination of a pre-emptive rights offering by TC1 and TC2, an undertaking by, among others, certain of the Pearl Group Sellers to underwrite the proposed pre-emptive rights offering and the repayment of certain intercompany loans.

Termination

The Purchase Agreements may be terminated and the Acquisition abandoned at any time prior to the closing:

- by mutual written agreement of Liberty and the Sellers;
- by any party, if the closing has not occurred before the termination date of October 5, 2009;
- by any party, if there is any law or court or governmental order, which is not subject to appeal or has become final, that makes consummation of the Acquisition illegal or otherwise prohibited;
- by Liberty if there has been a material adverse effect on the Pearl Group or Opal Re or by the Sellers if there has been a material adverse effect on Liberty;
- by Liberty if the Pearl Group or Opal Re has incurred additional indebtedness (other than in respect of the Pearl Group's asset management businesses) in excess of €100 million or sold any of its assets with a fair market value in excess of €100 million;
- by Liberty or the Sellers if the other violates the no-shop covenant;
- by Liberty if the Acquired Companies (other than Opal Re) do any of the following:
  - amend or propose to amend any of their organizational documents or other items pursuant to the Proposals;
  - authorize for issuance, issue, sell or deliver any of their securities or any securities of any of their subsidiaries;
  - acquire, redeem or amend any of their securities;
  - split, combine or reclassify any shares or other equity securities;
  - propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of themselves or any of their subsidiaries;
  - declare, make or pay any dividends or distributions to their shareholders;
  - enter into any related party transactions other than those agreed to with Liberty; or
  - enter into a contract to do any of the foregoing;
- by the Sellers if Liberty breaches any of its covenants with respect to the operation of its business as described above; or
- by Liberty or the Seller if such party, in its reasonable discretion, determines that a closing condition of the other party is incapable of being fulfilled.

In the event of termination of the Purchase Agreements, the Purchase Agreements will become void and have no effect, without any liability on the part of either party or its affiliates or representatives, except that each party will still be liable for any breach of the Purchase Agreements.

Regulatory Matters

The Acquisition and the transactions contemplated by the Purchase Agreements are not subject to any Cayman Islands or Dutch regulatory requirement or approval, except for filings necessary to consummate the transactions contemplated by the Acquisition Proposal, the Name Change Proposal, the Quorum Amendment Proposal, the Authorized Share Capital Proposal and the M&AA Amendment and Restatement Proposal.

In the U.K., the Financial Services and Markets Act 2000 (the **"FSMA"**) requires any person who decides to acquire or increase control (as defined in the FSMA) over a U.K. authorized person (which there are within the Pearl Group) to notify and obtain the FSA's prior approval. The FSA has 60 business days in which to rule on such an application following the date of the submission of the application. This period may be extended by the FSA if it requires further information. The notice and application for approval will be filed with the FSA as soon as practicable following the date of this proxy and consent solicitation statement. In addition, a person who decides to reduce control over a U.K. authorized person must notify the FSA. Failure to comply with the above requirements may constitute an offence under the FSMA.

In Bermuda, under the provisions of the Exchange Control Act 1972 and related regulations, the issue or transfer of securities in an "exempted company" (such as Opal Re) requires specific permission from the Bermuda Monetary Authority (the **"BMA"**). A letter requesting such permission in relation to the transfer of shares in Opal Re pursuant to the Acquisition was filed with the BMA on June 19, 2009.

The Extraordinary General Meeting

Date, Time and Place

The extraordinary general meeting of shareholders of Liberty will be held at 12:00 p.m., British Summer Time, on July 24, 2009, at the Grand Jersey hotel, Esplanade, St. Helier, Jersey JE2 3QA, Channel Islands. A proposal to adjourn the extraordinary general meeting to a later date or dates may be presented to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the extraordinary general meeting, Liberty is not authorized to consummate the Acquisition. See "The Adjournment Proposal" for more information.

Matters to be Considered at the Extraordinary General Meeting

The Acquisition Proposal is the principal matter to be considered and voted upon at the extraordinary general meeting. Assuming the Acquisition Proposal is approved by the holders of the Public Shares, Liberty is seeking shareholder approval of the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal and the Incentive Plan Proposal, all of which are conditional on the consummation of the Acquisition. In addition, Liberty is seeking shareholder approval to adjourn the extraordinary general meeting to a later date, or dates, in the event there are not sufficient votes at the time of the extraordinary general meeting to approve the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal or the Incentive Plan Proposal.

Voting Power; Record Date

Only shareholders of record on June 27, 2009, the Record Date, will be entitled to vote at the extraordinary general meeting. On the Record Date, there were 75,000,000 ordinary shares outstanding and entitled to vote at the extraordinary general meeting. Each holder of ordinary shares is entitled to one vote per share on each Proposal on which such shares are entitled to vote at the extraordinary general meeting. However, only holders of Public Shares are entitled to vote on the Acquisition Proposal. Holders of warrants are not entitled to voting rights with respect to their warrants at the extraordinary general meeting.

Quorum and Vote of Liberty Shareholders

Pursuant to the M&AA, a quorum of two shareholders present in person or by proxy is necessary to hold a valid general meeting with respect to the Acquisition Proposal. If there is no quorum, our chairman may adjourn the extraordinary general meeting to another date or dates. If the Acquisition Proposal is approved, the remainder of the Proposals may also be considered at the extraordinary general meeting where a quorum of two shareholders is present in person or by proxy. If the Acquisition Proposal is not approved, the remainder of the Proposals will not be offered to the shareholders for approval (as such Proposals are conditional upon the Acquisition Proposal being approved), and a more stringent quorum requirement otherwise applicable to these Proposals if the Acquisition Proposal is not approved would be moot.

- The approval of the Acquisition Proposal will require the affirmative vote of a majority of the outstanding Public Shares issued and outstanding as of the Record Date, provided that if the holders of an aggregate of 30% or more of the Public Shares vote "AGAINST" the Acquisition Proposal and exercise their right to request redemption of their shares for a *pro rata* portion of Liberty's Trust Account, the remaining Proposals will not be presented at the extraordinary general meeting for approval. However, we may utilize the Adjournment Proposal at any time during the meeting to adjourn the meeting so that we can continue to solicit support for approval of the other transactions contemplated hereby.
- The approval of the Name Change Proposal will require the affirmative vote of the holders of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person or by proxy.
- The approval of the Authorized Share Capital Proposal will require the affirmative vote of the holders of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person or by proxy.
- The approval of the Quorum Amendment Proposal will require the affirmative vote of the holders of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person or by proxy.
- The approval of the Share Repurchase Proposal will require the affirmative vote of a majority of the ordinary shares represented in person or by proxy and entitled to vote thereon at the extraordinary general meeting.
- The approval of the M&AA Amendment and Restatement Proposal will require the affirmative vote of the holders of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person or by proxy (provided that if the Quorum Amendment Proposal is not passed, the M&AA Amendment and Restatement Proposal will not be presented at the extraordinary general meeting).
- The approval of the Incentive Plan Proposal will require the affirmative vote of a majority of the ordinary shares represented in person or by proxy and entitled to vote thereon at the extraordinary general meeting.
- The approval of the Adjournment Proposal will require the affirmative vote of a majority of the ordinary shares that are present in person or by proxy and entitled to vote at the extraordinary general meeting.

If, following the date of this proxy and consent solicitation statement, Liberty determines that the Acquisition Proposal may not receive sufficient votes at the extraordinary general meeting for the Acquisition to be consummated, Liberty, the Sellers and our Founders and/or their affiliates may enter into negotiations for one or more transactions with existing shareholders or other third parties that would be designed to incentivize shareholders who have indicated, or are believed to have indicated, an intention to vote against the Acquisition Proposal to either vote in favor of, or to sell their shares to one or more parties who would vote in favor of, the Acquisition Proposal. There can be no certainty that any such transactions would in fact be sought to be

negotiated or, if negotiations are commenced, would be consummated. If any such transactions are consummated, such transactions will be notified and disclosed, if and when required in accordance with Dutch law.

Liberty's Board of Directors' Recommendation

After careful consideration, Liberty's board of directors has determined unanimously that the Acquisition Proposal is fair to, and in the best interests of, Liberty and its shareholders. Accordingly, Liberty's board of directors has unanimously approved and declared advisable the Acquisition and unanimously recommends that you vote or instruct your vote to be cast "FOR" the approval of the Acquisition Proposal.

In negotiating and structuring the Acquisition, Liberty's board of directors reviewed various industry and financial data and considered the due diligence and evaluation materials provided by the Pearl Group and its legal and financial advisers in order to determine that the consideration to be paid in connection with the Acquisition was reasonable. See "The Acquisition Proposal — Liberty's Reasons for the Acquisition."

Liberty's board of directors has determined unanimously that the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and the Adjournment Proposal are fair to, and in the best interests of, Liberty. Accordingly, Liberty's board of directors has unanimously approved and declared advisable the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and the Adjournment Proposal and unanimously recommends that you vote or instruct your vote to be cast "FOR" the approval of each of these Proposals.

The Warrant Amendment

General

Liberty is also seeking the consent of holders of its Public Warrants to amend all of Liberty's outstanding warrants as follows:

- to cause the Mandatory Redemption, on a *pro rata* basis, of a total of approximately 41,500,000 of Liberty's outstanding warrants (30,000,000 Public Warrants, approximately 7,500,000 Founders' Warrants and 4,000,000 Sponsors' Warrants) immediately upon the consummation of the Acquisition in exchange for 4,000,000 newly issued ordinary shares (of which approximately 2,900,000 will be issued in respect of the Public Warrants and approximately 1,100,000 will be issued in respect of the Insider Warrants), at a ratio of one ordinary share for each 10.36705 warrants redeemed;
- to increase the exercise price of the Remaining Warrants from €7.00 to €11.00 and to extend the expiration date from February 7, 2013 to the five-year anniversary of the closing date of the Acquisition;
- to amend the redemption provisions of the Remaining Warrants to permit Liberty to redeem such Remaining Warrants if our ordinary shares trade at or above €16.50 per share (from €13.75 per share) for 20 out of any 30 consecutive trading days; and
- to amend certain other provisions of the Remaining Warrants in connection with the transactions described herein.

The approval of the Warrant Amendment and the completion of the Mandatory Redemption are conditions to the obligation of the Sellers to consummate the transactions contemplated by the Purchase Agreements (which may be waived only by the Sellers in their sole discretion). If the Warrant Amendment is approved, Liberty intends to effect the Mandatory Redemption immediately upon the consummation of the Acquisition. The Sellers have required that Liberty complete the Mandatory Redemption in order to reduce the dilutive effect of Liberty's presently issued and outstanding warrants. In addition, the Sellers have required that Liberty otherwise amend the Remaining Warrants so that, to the extent exercised, they will be accretive to Liberty's earnings following the consummation of the Acquisition.

Record Date

June 27, 2009 has been fixed by Liberty as the Record Date for the determination of warrant holders entitled to consent to the Warrant Amendment (as well as the Record Date for the determination of shareholders entitled to vote at the extraordinary general meeting). However, Liberty reserves the right to establish, from time to time, but in all cases prior to receipt of the requisite consents to approve the Warrant Amendment, any new date as such Record Date for the determination of warrant holders entitled to consent to the Warrant Amendment and, thereupon, any such new date will be deemed to be the Record Date for such purpose.

Mandatory Redemption

Immediately prior to the Mandatory Redemption, we will cancel 63,600 warrants held by one of our Founders and initial directors who resigned on October 29, 2008.

If the Warrant Amendment is approved then, immediately upon the consummation of the Acquisition, 41,468,200 of Liberty's outstanding warrants (30,000,000 Public Warrants, 7,468,200 Founders' Warrants and 4,000,000 Sponsors' Warrants) will be mandatorily redeemed in exchange for 4,000,000 newly issued ordinary shares (of which approximately 2,900,000 will be issued in respect of the Public Warrants and approximately 1,100,000 will be issued in respect of the Insider Warrants), at a ratio of one ordinary share for each 10.36705 warrants redeemed. This will result in the redemption of 50% of the warrants held by each individual warrant holder. For example, if you hold warrants exercisable for 1,000,000 ordinary shares, warrants exercisable for 500,000 ordinary shares would be mandatorily redeemed immediately upon the consummation of the Acquisition. As a result, after the consummation of the Acquisition, you would hold warrants exercisable for 500,000 ordinary shares and would receive 48,229 ordinary shares pursuant to the Mandatory Redemption. Such ordinary shares will be credited to your securities account with your bank or broker via book-entry transfer. Ordinary shares received in connection with the Mandatory Redemption will be freely tradable.

IF THE WARRANT AMENDMENT IS APPROVED AND THE ACQUISITION IS CONSUMMATED, YOUR WARRANTS WILL BE SUBJECT TO THE MANDATORY REDEMPTION ON THE DATE OF THE CONSUMMATION OF THE ACQUISITION AND 50% OF YOUR WARRANTS WILL BE MANDATORILY REDEEMED WHETHER OR NOT YOU CONSENTED TO THE WARRANT AMENDMENT.

Expiration; Extension

The consent solicitation expires at 3:00 p.m., Central European Time, on July 23, 2009, subject to extension by Liberty. We reserve the right to extend the period of time that the consent solicitation is open by giving oral or written notice to RBS and by timely public announcement. During any extension, all consents previously delivered will remain effective, and will not be revocable.

Procedures for Consenting

All of our Public Warrants are held through Euroclear Nederland. Accordingly, your bank or broker, being or using an Admitted Institution, must, no later than the Deadline, transmit your consent by electronic transmission to RBS.

You must consent with respect to all of your warrants or none of them.

Required Consents

The amendment of Liberty's Public Warrants requires the consent of the registered holders of a majority of Liberty's Public Warrants issued and outstanding as of the Record Date and the approval of the independent members of Liberty's board of directors (which approval has already been obtained). As of the Record Date, there were 60,000,000 outstanding Public Warrants and, therefore, the consent of holders of more than 30,000,000 Public Warrants is required to approve the amendment of the Public Warrant Agreement.

The amendment of Liberty's Insider Warrants requires the consent of the registered holders of a majority of Liberty's Public Warrants and Insider Warrants issued and outstanding as of the Record Date, each voting as a separate class and the approval of the independent members of Liberty's board of directors. The holders of Liberty's Insider Warrants have already provided their written consent to the amendment of the Insider Warrant Agreement, and the independent members of the board of directors, have given their approval. However, the consent of holders of more than 30,000,000 Public Warrants is still required to approve the amendment of the Insider Warrant Agreement.

Neither the Public Warrants nor the Insider Warrants will be amended unless the consents described above are obtained. If you do not instruct your broker or bank to deliver your consent, this will have the same effect as not consenting to the Warrant Amendment.

If the required consents are obtained, assuming the Acquisition is consummated, the proposed amendments to the warrants will be binding on all warrant holders, including warrant holders that did not consent to the Warrant Amendment.

Even if the required consents to approve the Warrant Amendment are obtained, if the Purchase Agreements are terminated in accordance with their terms or the consummation of the Acquisition does not occur on or prior to October 5, 2009 for any reason, the consent solicitation will terminate, all previously delivered consents will be voided and the Warrant Amendment will not become effective.

Revocation

Once delivered, consents may not be revoked for any reason.

Board Recommendation

The approval of the Warrant Amendment and the taking of all actions necessary to complete the Mandatory Redemption are conditions to the obligation of Pearl to consummate the transactions contemplated by the Purchase Agreements (which may be waived only by Pearl in its sole discretion). Accordingly, Liberty's board of directors (including the independent directors) has unanimously approved and declared advisable the Warrant Amendment and unanimously recommends that you consent to the Warrant Amendment.

Certain Tax Considerations

Subject to PFIC and CFC rules discussed elsewhere in this proxy and solicitation statement, the exchange of warrants for Liberty ordinary shares may be tax-free as a recapitalization for U.S. federal income tax purposes, although the issue is unclear. Under this treatment, the U.S. federal income tax consequences of the exchange should be generally that the exchange should not result in the recognition of gain or loss by a U.S. holder, the basis in an ordinary share that you would receive in such exchange should equal your basis in the warrants exchanged for that share, and the holding period for the ordinary share would include your holding period for the warrants surrendered for that share in the exchange.

It is also possible, however, that such exchange could be treated as a cashless exercise of the warrants. See "The Acquisition Proposal — U.S. Federal Income Tax Consequences — Exercise, Lapse or Disposition of a Warrant."

It is also possible that the ordinary shares received by a U.S. holder could result in a constructive distribution under Section 305 of the U.S. Internal Revenue Code of 1986, as amended (the **"U.S. Tax Code"**). However, the Treasury regulations thereunder provide that only those recapitalizations that are pursuant to a plan to periodically increase a shareholder's proportionate interest in the assets or earnings of a corporation will be deemed to result in a distribution under Section 305(c) of the U.S. Tax Code and, therefore, the constructive distribution rules of Section 305 of the U.S. Tax Code may not apply.

In addition, the change in the terms of the warrants that are not mandatorily redeemed may also be treated as an exchange of an existing warrant for an amended warrant that will constitute a recapitalization for U.S. federal income tax purposes. In that case the exchange should not result in the recognition of gain or loss

by a U.S. holder and the U.S. holder's holding period for such amended warrant would include its holding period for the warrant surrendered in the exchange.

Appraisal or Dissenters' Rights

You will not have appraisal or dissenters' rights in connection with the Warrant Amendment (including the Mandatory Redemption).

Registrar, Exchange, Tabulation, Paying and Listing Agent

We have appointed RBS as the registrar, exchange, tabulation, paying and listing agent in connection with the matters described in this proxy and consent solicitation statement. You should direct questions and requests for assistance, requests for additional copies of this proxy and consent solicitation statement or the consent card to your bank or broker or RBS at the addresses listed under "The Warrant Amendment — Registrar, Exchange, Tabulation, Paying and Listing Agent."

Dividend Policy

If the Acquisition is consummated, we expect to pay a dividend at an initial rate of €0.50 per share per year. The dividend will be pro-rated for the 2009 financial year from the date of the consummation of the Acquisition to year end. The Amended and Restated Pearl Acquisition Credit Facility Agreement and the Amended and Restated Impala Acquisition Credit Facility Agreement contain restrictions, based primarily on the satisfaction of financial covenants and surplus cash provisions, on the distribution of profits by the Pearl Borrowers and the Impala Borrowers, which could affect the ability of Liberty to declare and pay dividends. Specific provisions that contemplate the payment of dividends have been included in these facility agreements in relation to the distribution of profits. See "Agreements Related to the Acquisition — Credit Facilities." All dividends will be subject to the terms of the facility agreements and there can be no assurance as to the amount of any future dividends or that we will be able to pay any dividends at all in the future. See "Risk Factors" for a discussion of certain factors that may prevent us from paying dividends.

Summary Historical Consolidated Financial Information of the Pearl Group

The summary historical consolidated financial information presented below with respect to Pearl as of and for the years ended December 31, 2008, 2007 and 2006 was derived from consolidated financial statements of Pearl audited by Ernst & Young LLP, an independent registered public accounting firm, that are included in this proxy and consent solicitation statement. These financial statements have been prepared in accordance with UK GAAP. U.K. companies, such as Pearl, that are not listed on a stock exchange have the option to report either under IFRS or under UK GAAP. Recently issued Financial Reporting Standards **("FRSs")** under UK GAAP have replicated the wording of corresponding IFRS statements, reducing the differences between UK GAAP and IFRS significantly. Nonetheless, certain differences remain between UK GAAP and IFRS, primarily in relation to the presentation and disclosure required in financial statements in relation to the treatment of goodwill, intangible assets, income and deferred taxes and defined benefit pension schemes.

The Pearl Group's financial statements will be consolidated in our financial statements in accordance with IFRS for reporting periods ending after the date of the proposed Acquisition.

On May 1, 2008, Pearl, through its subsidiary Impala, acquired Resolution plc, a holding company for a group of closed life fund companies that was listed on the London Stock Exchange, for a purchase price of £5.0 billion pursuant to a court-approved scheme of arrangement. In connection with this acquisition, the Pearl Group transferred certain assets of Resolution plc to Royal London for total consideration of £1.3 billion (subject to certain post-closing adjustments, or "true-ups"), effective as of May 1, 2008 (the **"On-Sold Resolution Assets"**). Resolution plc delisted from the London Stock Exchange on May 6, 2008 and was subsequently renamed Pearl Group Holdings (No. 1) Limited. In this proxy and consent solicitation statement, "Resolution" refers to Resolution plc and its subsidiaries excluding the On-Sold Resolution Assets.

The summary historical consolidated financial information presented below with respect to Resolution plc as of and for the years ended December 31, 2007 and 2006 was derived from the consolidated financial statements of Resolution plc and audited by Ernst & Young LLP, an independent registered public accounting firm, that are included in this proxy and consent solicitation statement. These financial statements have been prepared in accordance with IFRS.

In accordance with UK GAAP, the consolidated financial statements of Pearl as of and for the year ended December 31, 2008 reflect the results of operations and cash flows of Resolution only for the period from May 1 to December 31, 2008.

In addition, the consolidated financial statements of Resolution plc as of and for the years ended December 31, 2007 and 2006 include the results of operations and financial position related to the On-Sold Resolution Assets.

The financial information below does not reflect the results of operations and financial position of other companies that Liberty will be acquiring in the Acquisition, including:

- those Acquired Companies in the intermediary holding structure above Pearl, namely, SCIL and HIOL;
- those Acquired Companies in the intermediary holding structure for the 25% interest in Impala that Pearl does not currently own, namely, TC1, TC2, MC1, MC2, SC2L and HI2L; and
- Opal Re.

For the above reasons, as well as other transactions related to the Acquisition, the summary historical consolidated financial information presented below:

- with respect to Pearl is not indicative of the results of operations and financial position of the Acquired Companies had all of these entities been consolidated into Pearl's consolidated financial statements for the years ended December 31, 2008, 2007 or 2006 and is not indicative of our results of operations and financial position for any periods following the Acquisition; and

- with respect to Resolution is not indicative of what Resolution's contribution to the Pearl Group's results of operations and financial position would have been for the years ended December 31, 2007 and 2006 had Resolution been acquired by the Pearl Group as of January 1, 2006.

For information regarding the pro forma effect of a full-year consolidation of Resolution on the Pearl Group's results of operations for the year ended December 31, 2008, see "Unaudited Pro Forma Financial Information."

The information presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Pearl Group" and the consolidated financial statements of Pearl and Resolution plc and notes thereto included in this proxy and consent solicitation statement.

Pearl Group Limited

Profit and Loss Account Data of Pearl Group Limited
(In accordance with UK GAAP)

	Year Ended December 31,		
	2008	2007[1]	2006
		(In millions)	
Long-term business technical account[2]			
Earned premiums net of reinsurance	£ 1,254	£ (3,367)	£ 521
Investment and other technical income	3,236	1,384	2,059
Total technical income	4,490	(1,983)	2,580
Claims incurred net of reinsurance	(5,228)	(1,876)	(2,398)
Change in technical provisions net of reinsurance	6,691	4,539	1,047
Net operating expenses	(372)	(105)	(134)
Investment expenses and charges	(1,469)	(215)	(69)
Unrealized losses on investment	(4,339)	(259)	(762)
Other technical charges	(150)	(102)	(65)
Taxation credit/(charge) attributable to the long-term business	114	40	(16)
Transfer from/(to) the fund for the future appropriations	347	44	(68)
Balance on the long-term business technical account	84	83	115
Non-technical account[3]			
Balance on the long-term business technical account	84	83	115
Taxation attributable	16	36	50
Shareholders' pre-tax profit from long-term business	100	119	165
Net investment and other income	(875)	57	15
(Loss)/Profit on ordinary activities before exceptional items and taxation	(775)	176	180
Negative goodwill on acquisition of subsidiary undertakings	—	—	11
(Loss)/Profit on disposals	—	—	109
(Loss)/Profit on ordinary activities before taxation	(775)	119	300
Taxation (charge)/credit on profit on ordinary activities	34	(35)	(60)
(Loss)/Profit on ordinary activities after taxation	(741)	141	240
Minority interest[4]	131	—	—
(Loss)/Profit on ordinary activities attributable to shareholders	£ (610)	£ 141	£ 240

Balance Sheet Data of Pearl Group Limited
(In accordance with UK GAAP)

	As of December 31,		
	2008	2007[1]	2006
		(In millions)	
Assets			
Intangible assets	£ 1,243	£ 21	£ 26
Investments	61,172	25,340	22,145
Assets held to cover linked liabilities	10,595	3,963	4,182
Reinsurers' share of technical provisions	6,742	3,865	198
Debtors	754	102	101
Other assets	1,889	980	458
Prepayments and accrued income	683	286	303
Pension scheme	51	—	—
Total assets	£83,129	£34,557	£27,413
Capital and reserves			
Called-up share capital	£ 596	£ 596	£ 596

	As of December 31,		
	2008	2007[1]	2006
		(In millions)	
Subordinated loan	289	289	—
Foreign exchange reserve	13	—	—
Profit and loss account	(351)	592	512
Equity shareholder funds	547	1,477	1,108
Minority interest[4]	2,893	2	0
Fund for future appropriations	580	312	356
Technical provisions	60,920	23,057	24,415
Derivative liabilities	3,555	311	111
Non linked investment contract without discretionary participation features	248	—	—
Net assets attributable to unit holders	2,334	—	—
Obligation for repayment of collateral received	4,621	3,531	—
Provision for other risks	139	97	134
Deposits received from reinsurers	3,984	3,647	—
Creditors	2,975	2,073	1,255
Accruals and deferred income	231	50	34
Pension scheme	102	—	—
Total equity and liabilities	£83,129	£34,557	£27,413

(1) Pearl has restated its consolidated financial statements as of and for the year ended December 31, 2007 to account for the cash collateral and value of related assets and liabilities in connection with the securities-lending and related cash-collateral reinvestment activities of the with-profits funds of Pearl Assurance and London Life that were entered into in 2006 in the same manner in which these items were accounted for in Pearl's consolidated financial statements as of and for the year ended December 31, 2008. These items were not originally reflected in Pearl's consolidated financial statements as of and for the year ended December 31, 2007. In addition, following a review of the terms of Pearl's £289 million upper tier 2

subordinated loan agreement, Pearl's consolidated balance as of December 31, 2007 has been restated to recognize this subordinated loan, which had been previously recognized as a debenture loan, as equity. In connection with this restatement, Pearl's profit and loss reserves as of January 1, 2007 have been restated to recognize an additional £17 million of profit, reflecting the reversal of the accrued interest on the subordinated loan, and the non-technical profit and loss account for the year ended December 31, 2007 has been restated to recognize an additional profit of £35 million, reflecting interest paid in 2007 being transferred directly to the profit and loss reserves.

(2) "Long-term business technical account" records those revenues and expenses of transactions that are related to the Pearl Group's insurance activities, such as transactions with policyholders and reinsurers, and other related activities, including corporate activities. The balance on the long-term business technical account is the profit on insurance activities that is attributable to holding company shareholders of the Pearl Group life companies. For additional information about the long-term business technical account, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Pearl Group — Components of Revenues and Expenses — Long-Term Business Technical Account."

(3) "Non-technical account" relates to the Pearl Group's non-insurance activities and comprises the long-term business results that are attributable to shareholders, investment return and expenses that do not relate to the long-term business and other income and expenses. For additional information about the non-technical account, see "Management's Discussion and Analysis of Financial Condition and Results of Operation of the Pearl Group — Components of Revenues and Expenses — Non-Technical Account."

(4) Minority interest of £2,893 million as of December 31, 2008 comprises approximately £2.2 billion attributable to the 25% interest in Impala that Pearl does not own (£1.6 billion of share capital and share premium and £663 million of subordinated loans, adjusted for losses in the period), £509 million attributable to the perpetual reset capital securities of Pearl Group Holdings No. 1 Limited, a wholly-owned subsidiary of Impala, which are treated as equity, and £149 million attributable to UK Commercial Property Trust Limited, a property fund. Upon completion of the Acquisition, Impala will become a wholly-owned indirect subsidiary of Liberty. For further information about minority interests, see Note 22 to Pearl's consolidated financial statements as of and for the year ended December 31, 2008, included in this proxy and consent solicitation statement.

Resolution plc(*)

Income Statement Data of Resolution plc
(In accordance with IFRS)

	Year Ended December 31,	
	2007	2006
	(In millions)	
Gross premiums written	£ 2,104	£ 1,633
Less: premiums ceded to reinsurers	(330)	(151)
Net premiums written	1,774	1,482
Fees and commissions	150	104
Net investment income	2,365	3,244
Total revenue, net of reinsurance payable	4,289	4,830
Other operating income	9	313
Net income	4,298	5,143
Policyholder claims	5,692	4,709
Less: reinsurance recoveries	(326)	(369)
Change in insurance contract liabilities	(2,703)	(1,384)
Transfer from unallocated surplus	(2)	(379)
Net policyholder claims and benefits incurred	2,661	2,577
Change in investment contract liabilities	387	409
Acquisition costs	112	89
Amortization of acquired in-force business	228	265
Impairment of acquired in-force business and deferred acquisition costs	—	522
Administrative expenses	594	488
Net income attributable to unit holders	99	217
Other operating expenses	89	—
Total operating expenses	4,170	4,567
Operating profit before financing costs and income taxes	128	576
Financing costs	(125)	(94)
Profit for the year before income taxes	3	482
Income taxes	132	49
Profit for the year attributable to equity holders	£ 135	£ 531
Profit for the year attributable to:		
Equity holders of the parent		
Ordinary shareholders	£ 115	£ 494
Perpetual reset capital securities	33	33
	148	527
Minority interests	(13)	4
Profit for the year attributable to equity holders	£ 135	£ 531

*Subsequently renamed Pearl Group Holdings (No. 1) Limited.

Balance Sheet Data of Resolution plc[(*)]
(In accordance with IFRS)

	As of December 31,	
	2007	2006
	(In millions)	
Assets		
Pension scheme surplus	£ 79	£ 80
Property, plant and equipment	39	55
Intangible assets	2,215	2,439
Investment Property	2,410	2,705
Financial assets	46,958	51,906
Insurance assets	3,370	3,341
Other	6,142	4,808
Total assets	£61,213	£65,334
Equity		
Equity attributable to equity holders of the parent	4,407	4,381
Minority interests	192	154
Total equity	£ 4,599	£ 4,535
Liabilities		
Insurance contracts	43,871	46,509
Provisions	69	65
Financial Liabilities	10,475	11,938
Deferred tax	857	982
Reinsurance payables	67	60
Payables related to direct insurance contracts	431	228
Deferred income	68	90
Current tax	130	169
Accruals	145	103
Trade and other payables	501	655
Total liabilities	56,614	60,799
Total equity and liabilities	£61,213	£65,334

[*]Subsequently renamed Pearl Group Holdings (No. 1) Limited.

Summary Historical Financial Information of Liberty

The summary historical financial information of Liberty as of December 31, 2008 was derived from the audited financial statements of Liberty as of such date included in this proxy and consent solicitation statement. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of Liberty" and the financial statements of Liberty and notes thereto included in this proxy and consent solicitation statement. Since Liberty has not had any significant operations to date, only balance sheet data is presented.

Balance Sheet Data:	**As of December 31, 2008**
	(In thousands)
Working capital	€608,513
Total assets	€608,523
Total liabilities[(1)]	€190,001
Ordinary shares subject to redemption[(2)]	€180,990
Shareholders' equity	€418,522

(1) Includes a liability of €181.0 million representing the amount recognized if 29.99% of our Public Shares are redeemed by our public shareholders voting against the Acquisition and the deferred underwriter's fee of €9,000,000 payable upon the consummation of the Acquisition.

(2) Represents the amount recognized if 29.99% of our Public Shares are redeemed by our public shareholders voting against the Acquisition.

FORWARD-LOOKING STATEMENTS

This proxy and consent solicitation statement includes "forward-looking statements." These forward-looking statements include, but are not limited to, statements regarding our and the Pearl Group's expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Some of these forward-looking statements relate to expected improvements to the Pearl Group's embedded value as well as the Pearl Group's expected acceleration of cash. The words "anticipates" "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this proxy and consent solicitation statement are based on our and the Pearl Group management's current expectations and beliefs concerning future developments and their potential effects on us and the Pearl Group and speak only as of the date of such statement. There can be no assurance that future developments affecting us or the Pearl Group will be those that we or the Pearl Group management have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our and the Pearl Group management's control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under "Risk Factors."

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. Neither we nor the Pearl Group's management undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law or regulations.

Please note that while this proxy and consent solicitation statement may contain references to past performance, past performance cannot be relied on as a guide to future performance.

RISK FACTORS

You should carefully consider the following risk factors, together with all of the other information included in this proxy and consent solicitation statement, before you decide whether to vote or instruct your vote to be cast to approve the Acquisition Proposal or any of the other Proposals to be presented at the extraordinary general meeting or to consent to the Warrant Amendment. As the Pearl Group's and Opal Re's operations will become those of Liberty upon consummation of the Acquisition, a number of the following risk factors relate to the business and operations of the Pearl Group and Opal Re.

Risks Related to the Life Insurance and Asset Management Industries

The financial markets in the United Kingdom and elsewhere have experienced extreme volatility and disruption since August 2007, which have materially and adversely affected the Pearl Group. These conditions may continue.

The financial markets in the United Kingdom and elsewhere have experienced extreme volatility and disruption since August 2007, due largely to the stresses affecting the global financial system, which accelerated significantly in the second half of 2008 and into the first quarter of 2009, with the volatility subsiding somewhat in the second quarter of 2009. The United Kingdom, most other major European countries, the United States and Japan have entered a severe recession that may persist beyond 2009, despite past and any future governmental intervention in the world's major economies. These circumstances have exerted significant downward pressure on prices of equity and fixed-income securities, property assets and virtually all other asset classes and have resulted in substantially increased market volatility, severely constrained credit and capital markets, particularly for financial institutions, including insurance companies, illiquidity and an overall loss of investor confidence.

While the Pearl Group's investment risks are often shared, in whole or in part, with its policyholders in accordance with the terms of the relevant policies, continued fluctuations in investment markets will, directly or indirectly, continue to affect materially the Pearl Group's reported financial results, its embedded value and its capital requirements. Substantial decreases in the value of investments may cause additional shareholder capital to be required or retained and restrict the ability of the Pearl Group life companies to distribute dividends or make other distributions to their shareholders, including the Pearl Group and, subsequent to the completion of the proposed Acquisition, Liberty and its shareholders.

Defaults by trading counterparties may materially affect the Pearl Group's results, financial condition and cash flows.

The Pearl Group is exposed to counterparty risk arising from decreases in the market value of investments. Such decreases may be caused by deterioration in the actual or perceived creditworthiness or default of issuers of the relevant instruments or from trading counterparties failing to meet all or part of their obligations, such as reinsurers failing to meet obligations assumed under reinsurance arrangements or derivative counterparties or stock-borrowers failing to pay as required. Assets held to meet obligations to policyholders include corporate bonds. An increase in credit spreads, particularly if it is accompanied by a higher level of issuer defaults, would have a material adverse impact on the Pearl Group's financial condition.

Like many insurance companies and other institutional investors, the Pearl Group engages in securities-lending, or stock-lending, activities, whereby the Pearl Group loans equity and debt securities from its portfolios to counterparties that use the loaned securities in their securities trading activities. In securities-lending transactions, the legal title of the loaned securities passes from the lender to the borrower. While the Pearl Group seeks to lend securities only to high-quality borrowers to minimize the possibility of default, and then only within pre-set credit limits for each borrower, borrowers may default on their securities-repayment obligations to the Pearl Group due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud, government intervention and other reasons. Such defaults could have a material adverse effect on our results, financial condition and cash flows. Additionally, the underlying cash collateral supporting a counterparty's securities-repayment obligation could be invested by collateral managers in a

manner that breaches the terms of their investment mandates, causing the Pearl Group to incur losses on its securities-lending transactions.

The recent turbulence in financial markets has increased the risk of counterparty defaults and increased the difficulty of finding suitable counterparties. While the Pearl Group seeks to mitigate counterparty risk by obtaining collateral to support the obligations of counterparties, there can be no guarantee that the collateral obtained will be sufficient or effective in all circumstances in order to protect against those risks.

The Pearl Group's results, financial condition and cash flows may be adversely affected by changes in interest rates.

The Pearl Group's exposure to interest rate risk relates primarily to the market price and cash flow variability of financial instruments associated with changes in interest rates.

Interest rates have been extremely volatile during the past two years. For example, the three-month Sterling LIBOR decreased from 6.0% at December 31, 2007 to 2.8% at December 31, 2008 and decreased further to 1.2% as of June 30, 2009.

The Pearl Group's liabilities to policyholders vary as interest rates fluctuate. Under relevant U.K. insurance regulations, the rate at which future actuarial liabilities can be discounted is based on the level of long-term interest rates and referenced to the so-called reliable yield associated with investments backing policyholder liabilities. As a result, a reduction in long-term interest rates increases the amount of the Pearl Group's policyholder liabilities and thereby reduces the Pearl Group's financial strength.

The Pearl Group attempts to match a significant proportion of its policyholder liabilities with assets whose sensitivity to interest rates is the same as, or similar to, that of the underlying liabilities. However, to the extent that such asset-to-liability matching is not practicable or fully achieved, there may be fluctuations in the difference between assets and liabilities as interest rates change. Adverse movements in interest rates, in the absence of other countervailing changes, could cause a material increase in the net unrealized loss position of the Pearl Group's investment portfolio.

The Pearl Group's with-profits funds are exposed to additional interest rate risk as the funds' guaranteed liabilities are valued based on market interest rates, with the funds' investments including fixed-interest investments and derivatives. As a result, adverse changes in interest rates may materially decrease the amount of distributions available to policyholders or shareholders from the Pearl Group's with-profits funds.

As of December 31, 2008, on a pro forma basis after giving effect to the proposed Acquisition and related transactions, we would have had approximately £2.8 billion of bank debt outstanding, all of which bears floating rates of interest. While we intend to implement hedging arrangements to help protect the Pearl Group against interest rate fluctuations, adverse changes in interest rates, to the extent not successfully hedged, may lead to material increases in the group's interest payments.

Due to the long-term nature of the liabilities of the Pearl Group life companies, sustained declines in long-term interest rates may also subject the Pearl Group to reinvestment risks and increased hedging costs. Declines in interest rates or changes in credit spreads may also result in reducing the duration of certain liabilities, creating asset liability duration mismatches and lower spread income. During periods of declining interest rates, issuers may prepay or redeem debt securities that the Pearl Group owns, which could force the Pearl Group to reinvest the proceeds at materially lower rates of return.

Substantial decreases in equity or property prices could have a material adverse effect on the Pearl Group's results, financial condition and prospects.

Although policyholders bear most of the costs of falls in equity and property prices in accordance with the terms of their policies, substantial decreases in the market prices of the Pearl Group's equity and property investments could reduce the amounts available to fund its long-term fund policyholder obligations. This, in turn, could increase liquidity risks and could also require shareholder funds to be transferred to cover any shortfalls. In addition, the Pearl Group's revenue from its unit-linked funds could decrease if the value of

equity investments of such funds decreases. Therefore, any substantial decreases in equity or property prices could have a material adverse effect on the Pearl Group's results, financial condition and prospects.

Certain of the Pearl Group's with-profits policies offer guaranteed benefits. These policies increase the group's financial exposure to declines in equity markets and, to the extent that these exposures have not been hedged, may result in the need to devote significant additional capital to support these policies. For example, during the course of 2008, as equity and property prices declined, the Pearl Group's liability for guaranteed benefits increased.

The Pearl Group may not have sufficient liquid assets to meet its payment obligations in times of extreme market turbulence.

Although the Pearl Group has existing controls that aim to ensure it has sufficient liquid resources to meet its payment obligations, the Pearl Group could be subject to a liquidity shortage or be impacted by having insufficient liquid assets to meet payment obligations in times of extreme market turbulence. Market turbulence since August 2007 has resulted in materially reduced liquidity for both listed and unlisted investments. The Pearl Group life funds are significantly invested in government, supranational and corporate debt securities, all of which have experienced varying levels of market price volatility as well as reductions in tradability. In addition, the Pearl Group's policyholder and shareholder funds have investments in certain alternative asset classes that have been subject to market price volatility and constrained liquidity, due to, among other things, actions taken by investment managers to limit redemptions of such investments.

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

In relation to the Pearl Group's policies, decreases in prices for investment assets may increase the incidence of policyholder complaints, the size of policyholder compensation payments, rates at which policyholders let their policies lapse and the rates at which policyholders redeem their policies before their maturity date. This could give rise to liquidity difficulties, especially where a high volume of surrenders coincides with a tightening of liquidity to the point where fund assets may have to be sold to meet surrender requests. In addition, if the fund's assets are illiquid at such time, its operation could be impeded, with potential material adverse consequences to our results and financial condition.

The Pearl Group faces exposure to other market risks, which may adversely impact its results, financial condition and cash flows.

The Pearl Group has significant exposure to investment risk in relation to the potential for lower earnings associated with the group's asset management businesses and its unit-linked business, where revenue is earned based on the fair value of the assets under management, generally as an ad valorem charge. During the course of 2008, the significant declines in equity markets and in capital values of corporate bonds negatively impacted assets under management. As a result, revenue earned by Ignis declined by 8% from £94 million in 2007 to £87 million in 2008. Further significant turbulence in investment markets during 2009 and beyond may result in further declines in revenue.

Certain of the Pearl Group's with-profits funds have exposure to financial assets that are not denominated in pounds sterling. Although the Pearl Group aims to hedge the foreign exchange exposure of its financial assets, the Pearl Group's operations are subject to currency transaction risks from these assets in circumstances where the currency risk is imperfectly hedged.

The Pearl Group is also exposed to foreign currency translation risk. The Pearl Group's consolidated financial statements are stated in pounds sterling, whereas the revenues and expenses of parts of the Pearl

Group's operations are earned and paid, and assets and liabilities held, in currencies other than pounds sterling. Foreign currency amounts are translated into pounds sterling at the applicable exchange rates for inclusion in the Pearl Group's consolidated financial statements. The exchange rate between these currencies and pounds sterling can fluctuate substantially, which may have a material adverse effect on our results and financial condition.

The Pearl Group's valuations of many of its financial instruments include methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may materially adversely affect our results and financial condition.

The Pearl Group carries debt securities, equity securities, holdings in collective investment schemes and derivatives at fair value in its consolidated financial statements. The determination of fair values are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts.

During periods of market disruption such as we are currently experiencing, including periods of rapidly widening credit spreads or illiquidity, it has been, and will likely continue to be, difficult to value certain of the Pearl Group's securities, particularly if trading becomes less frequent or reliable market data becomes unavailable, as has occurred in certain markets due to the current financial environment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation thereby resulting in values which may differ materially from the values at which the investments may be ultimately sold or realized. Further, rapidly changing credit and equity market conditions could materially impact the reported valuation of the Pearl Group's securities and the period-to-period changes in value could vary significantly. Decreases in value could have a material adverse effect on our results and financial condition.

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

The Pearl Group has liabilities under annuities and other policies that are sensitive to future mortality and longevity rates. For example, annuities are subject to the risk that annuitants live longer, or longevity rates increase, than was projected at the time their policies were issued, with the result that the issuing life company must continue paying out to the annuitants for longer than anticipated and, therefore, longer than was reflected in the price of the annuity. Conversely, increased mortality, or higher mortality rates, increases death claims on term-insurance products.

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

If the assumptions underlying calculations of reserves are shown to be incorrect (e.g., if policyholders do not die at the rate assumed in actuarial calculations), the Pearl Group may have to increase the amount of its reserves or the amount of risk reinsured, which could have a material adverse impact on the Pearl Group's embedded value, results, financial condition and prospects.

To the extent that actual mortality, longevity and morbidity rates or other insurance risk experience is less favorable than the underlying assumptions and it is necessary to increase reserves for policyholder liabilities as a consequence, the amount of additional capital required (and therefore the amount of capital that can be released from the Pearl Group life companies in order to pay down debt or to finance distributions to shareholders of the life companies) and the ability of the Pearl Group to manage the life companies in an efficient manner may all be materially adversely affected. In particular, there is considerable uncertainty over the rate at which mortality rates will continue to improve in the future. The Pearl Group could incur significant losses if mortality rates improve faster than has been assumed.

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

Increases in liabilities relating to product guarantees may negatively affect the Pearl Group.

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

The Pearl Group life companies have existing liabilities relating to guarantees and options contained in policies, which are increased by adverse movements in interest rates, increasing life expectancy and the proportion of customers exercising their options. In order to address the interest rate risk, the Pearl Group has purchased derivatives that provide some protection against an increase in liabilities and the sensitivity of profit to movements in interest rates. The Pearl Group is inevitably exposed to counterparty risk in respect of such financial instruments. The most significant factors affecting the cost of these liabilities relative to the provisions made are the number of customers electing to exercise their option to take the more favorable annuity rates, the relative values of any hedge derivatives that may be maintained from time to time and the longevity rates of annuity holders. Our results, financial condition and prospects may be materially adversely affected if such liabilities are significantly increased.

The Pearl Group has substantial exposure to reinsurers through reinsurance arrangements. The Pearl Group may incur losses due to its reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts and the availability, pricing and adequacy of reinsurance may not be sufficient to protect the Pearl Group against losses.

As an insurer, the Pearl Group, through reinsurance, frequently seeks to reduce the losses that may arise from mortality, longevity, morbidity, persistency or other insurance risk that can cause unfavorable outcomes to its business. As a result, the Pearl Group has substantial exposure to reinsurers through reinsurance arrangements. Under these arrangements, reinsurers assume a portion of the costs, losses and expenses associated with the reinsured policies' claims and maturities and reported and unreported losses in exchange for a premium. However, the Pearl Group life companies remain liable as the direct insurer on all risks reinsured. Consequently, ceded reinsurance arrangements do not eliminate the life companies' obligation to pay claims, and the life companies are subject to reinsurer credit risk with respect to their ability to recover amounts due from reinsurers. While the Pearl Group regularly evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies, reinsurers may become financially unsound or choose to dispute their contractual obligations when they become due. For example, one of the

Phoenix Life with-profits funds had reinsured certain annuity liabilities with Lehman Re pursuant to a reinsurance treaty. In September 2008, as a result of Lehman Re being placed into administration, this with-profits fund recognized an impairment charge in the amount of £77 million. The Pearl Group is attempting to recover this amount from Lehman Re's administrators; however, there is no assurance that it will be able to recover all or any portion of this amount. The inability, failure or unwillingness of any reinsurer to meet its financial obligations could have a material adverse effect on our results, financial condition and prospects. See "— Risks Related to the Pearl Group's Business — The Pearl Group is pursuing claims in connection with the collapse of Lehman Brothers."

In addition, market conditions beyond the Pearl Group's control determine the availability and cost of the reinsurance that the Pearl Group is able to purchase. Historically, reinsurance pricing has changed significantly from time to time. No assurances can be made that reinsurance will remain continuously available to the Pearl Group to the same extent and on the same terms as are currently available. If the Pearl Group were unable to maintain its current level of reinsurance or purchase new reinsurance protection in amounts that the Pearl Group considers sufficient and at prices that it considers acceptable, the Pearl Group would have to either accept an increase in its net liability exposure or develop other alternatives to reinsurance.

Periods of underperformance could lead to disproportionate redemptions in the funds of the Pearl Group's asset management business or a decline in the rate at which these businesses acquire additional assets under management.

If investment performance of the Pearl Group's asset management businesses underperform relative to other asset management firms, existing clients may decide to reduce or liquidate their investments or transfer mandates to other asset managers and the Pearl Group may be unable to attract new asset management clients. As a result, investment underperformance by the Pearl Group's asset management businesses could have a material adverse effect on our results, financial condition and prospects. A change in the nature of clients' requirements may also result in an increase in redemptions or a reduction in the number of new mandates.

The performance of the Pearl Group's asset management businesses may be adversely affected by mismanagement of client assets or liabilities, the loss of key investment managers or the loss of mandates from the Pearl Group life companies.

There are risks associated with the process of managing client assets and providing asset liability management services. For example, failure to manage the investment process or execute the trading activities properly could lead to poor investment decisions, incorrect risk assessments and poor asset allocation, the wrong investments being bought or sold and incorrectly monitoring exposures. A failure to achieve competitive investment returns on clients' assets or to effectively manage their interest rate and liquidity risks could lead to the loss of clients or a liability for the Pearl Group to pay compensation.

In addition, if the Pearl Group loses any of its key investment managers, it may also lose certain investment management mandates and funds or be "put on hold" by consultants and other controllers of investments, making the retention and winning of mandates and funds more difficult. This might have a material adverse effect on our results, financial condition and prospects.

The Pearl Group's asset management businesses generate a substantial part of their income from investment mandates from the Pearl Group life companies. The life companies could withdraw their mandates or decide not to award additional mandates for regulatory or other reasons, which could significantly reduce the value of the Pearl Group's asset management businesses.

Various new reforms to the legislation and regulation relating to the U.K. life insurance and asset management industries have been proposed that could involve significant implementation costs and may create uncertainty in the application of relevant laws or regulations.

The E.U. Commission is continuing to develop a new prudential framework for insurance companies, the Solvency II project. This project will update, among other things, the existing E.U. life, non-life, re-insurance and insurance groups directives. The main aims of this framework are to ensure the financial stability of the

insurance industry and protect policyholders through establishing prudential requirements better matched to the true risks of the business. Like Basel 2, the new approach is expected to be based on the concept of three pillars: minimum capital requirements, supervisory review of firms' assessments of risk and enhanced disclosure requirements. However, the scope of the Solvency II project is wider than Basel 2, in that it will cover valuations, the treatment of insurance groups, the definition of capital and the overall level of capital requirements.

The E.U. Commission has also published a proposal for the directive to regulate the managers of "alternative investment funds," which are very widely defined. The proposal is controversial and may be significantly amended before it is adopted. Aspects of the proposal, for example restrictions on delegation and a requirement to use a depositary and an independent valuation agent, could have a significant impact on the Pearl Group's investment management businesses.

In addition, in the United Kingdom, the FSA has been moving towards a regime of principles-based, recently referred to as an outcomes-based, regulation of the financial services industry. Principles-based regulation involves a greater degree of reliance on broadly stated, high level principles to set the standards by which regulated firms must conduct business, rather than on more detailed rules. The implications of a more principles-based approach for regulators, those regulated by the FSA and those whose interests the regulatory regime is designed to protect are the subject of ongoing dialogue. In the meantime, the FSA rulebook still contains a high level of detailed and prescriptive rules that must be adhered to, in addition to the requirement to comply with its regulatory principles.

In terms of compliance, there will be a greater need for regulated firms, such as the Pearl Group, to make qualitative judgments for themselves and to integrate their compliance and business processes. Firms will be expected to use the principles to form an ethical business culture, which will help to ensure that any gaps in the rules-based regime are dealt with. The FSA has also responded to the current financial crisis, and the financial problems experienced by a number of financial institutions, by announcing a more intensive and intrusive regulatory approach. The FSA has also been adopting a more aggressive enforcement approach with a view to achieving credible deterrence. Although the Pearl Group is generally not subject to regulatory risks relating to the sale of new policies, the uncertainties of principles-based regulation, coupled with a more intensive regulatory and enforcement approach from the FSA, may result in an increased risk of regulatory intervention in the business of the Pearl Group.

The Pearl Group is subject to potential FSA (or non-U.K. regulator) intervention on industry-wide issues.

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

For example, in recent years, the FSA has intervened directly in industry-wide issues, such as the sale of personal pensions, the sale of mortgage-related endowments and investments in split capital investment trusts. The FSA may identify future industry-wide mis-selling or other issues that could affect the Pearl Group. This may lead from time to time to:

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

In addition to the FSA, certain of the Pearl Group life companies are regulated in foreign jurisdictions resulting in potential policyholder claims and regulatory intervention in those jurisdictions on a similar basis.

Decisions of the FOS may have a material adverse effect on the Pearl Group's business.

The FOS exists to resolve disputes involving individual or small business policyholder disputes. While decisions are not made public, applicants may pursue customary legal remedies if its decisions are considered

unacceptable. From time to time, decisions taken by the FOS may, if extended to a particular class or grouping of policyholders, have a material adverse effect on our results, financial condition and prospects. In addition to the FOS, certain of the Pearl Group's life companies are subject to foreign regulation and may fall under the jurisdiction of a non-U.K. body similar to the FOS.

A failure by the Pearl Group to treat its customers fairly may lead to enforcement action by the FSA.

The "Treating Customers Fairly" (**"TCF"**) initiative has been an increasing focus of FSA activity in recent years. In response to high-profile regulatory failures and a perceived divergence between the sophistication of financial products and the financial literacy of consumers, the FSA has increased its emphasis on the need for consumer protection. In particular, the FSA has stated that its approach to TCF will be governed by high-level principles rather than a strict interpretation of the FSA Rules. Consequently, the failure by a financial services firm to implement a TCF policy aligned with the FSA's approach and to develop its TCF policy in response to changes in the FSA's approach, may lead to enforcement action by the FSA. Assertions by policyholders that their interests have been adversely affected by actions taken by the Pearl Group, or that they have otherwise been treated unfairly, may also lead to enforcement action by the FSA.

Changes in taxation law may impact the Pearl Group and may impact upon the decisions of policyholders.

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

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

The introduction of the Solvency II project may have a significant impact on the taxation of life companies and therefore on the Pearl Group's tax position. It is not yet clear what the precise impact will be, nor the nature of any changes that may be made to the life insurance taxation regime in connection with the introduction of the Solvency II project. The timing of the introduction of the Solvency II project, and any consequential changes that may be made to the life insurance taxation regime, is currently unclear. It is currently anticipated that the Solvency II project will be implemented in October 2012.

The U.K. Government has proposed a number of changes under the broad heading of the United Kingdom's taxation of foreign profits, which if enacted could have a significant impact on the Pearl Group. In particular, the U.K. Government has published draft legislation in the Finance Bill 2009 which, if enacted in its current form, could have a significant impact on the deductibility of finance costs for U.K. members of a corporate group (by restricting interest deductions claimed by U.K. members of a multi-national group to the amount of the group's external finance costs) and significantly change the tax treatment of dividends received by companies within the charge to corporation tax (by removing the current blanket exemption from corporation tax that generally applies to a dividend paid by one U.K. resident company to another and replacing this with an exemption from tax on dividends in general, but subject to certain anti-avoidance rules). Such changes could have a material adverse effect on the Pearl Group's results, financial condition and prospects. A draft for consultation purposes has also been published of an exclusion from the proposed rules on deductibility of finance costs for financial services groups. It is likely that the Pearl Group should be a financial services group for these purposes, but as consultation is ongoing it is not possible to confirm that this

will be the case. It is currently proposed that the new rules regarding the tax treatment of dividends will have effect in relation to dividends paid on or after July 1, 2009, and that the new rules regarding the deductibility of finance costs will have effect in relation to periods of account beginning on or after January 1, 2010.

The effect of future changes in tax legislation on specific products may have a material adverse effect on the Pearl Group's results, financial condition and prospects and may lead to policyholders attempting to seek redress where they allege that a product fails to meet their reasonable expectations.

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

The design of long-term products takes into account, among other things, risks, benefits, charges, expenses, investment returns (including bonuses) and taxation. Policyholders may seek legal redress where a product fails to meet their reasonable expectations. Given the inherent unpredictability of litigation, it is possible that an adverse outcome in some matters could have a material adverse effect on the Pearl Group's results, financial condition and prospects arising from the penalties imposed, together with the costs of defending any action.

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

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

VAT is currently reduced or not charged on services under the outsourced services agreements on the basis that the services are exempt under the insurance intermediaries' exemption. However, this is subject to possible change. The E.U. Commission has adopted proposals for a directive and regulation that would change the existing rules in relation to the insurance intermediaries' exemption, and these now need to be agreed unanimously by the E.U. Member States, after the consultation of the European Parliament. It is not currently possible to predict with any accuracy whether or when the changes are likely to be agreed, how the changes will be implemented in U.K. law nor whether HM Revenue & Customs (**"HMRC"**) will change its practice prior to such changes coming into effect. If any such changes are effected, this may lead to the conclusion that services under the Pearl Group's outsourced services agreements for policy administration would be treated as subject to VAT.

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

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

- reducing public confidence in the Pearl Group;
- decreasing the ability to retain current policyholders;

- adversely affecting the willingness of insurance companies to sell closed-book companies or portfolios to the Pearl Group;
- increasing the likelihood that the FSA or non-U.K. regulators will not approve acquisitions or intra-group consolidations of closed-book companies or portfolios or will subject the Pearl Group to closer scrutiny than would otherwise be the case;
- increasing costs of borrowing, including in debt capital markets transactions; and
- adversely affecting the Pearl Group's ability to obtain reinsurance or to obtain reasonable pricing on reinsurance.

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

The Pearl Group's success will depend upon its ability to retain key personnel.

The continued success of the Pearl Group will depend on its ability to attract, motivate and retain highly skilled management and other personnel, including actuaries, portfolio and liability managers, analysts and executive officers. Competition for qualified, motivated and skilled personnel in the life insurance and asset management businesses remains significant. Moreover, in order to retain certain key personnel, the Pearl Group may be required to increase compensation to such individuals, resulting in additional expenses. Also, certain individuals are required to be approved by the FSA and, where relevant, non-U.K. regulators in order to perform their functions in the Pearl Group. For example, all key approved persons are required to be interviewed by the FSA as part of the change in control process triggered by the proposed Acquisition for re-approval in the new group. If such persons cease to be fit and proper and accordingly cease to be approved by the FSA or any relevant non-U.K. regulator, they will not be able to perform their relevant functions in relation to the Pearl Group and their services may effectively be lost to the Pearl Group.

The risk of the Pearl Group being viewed adversely by potential employment candidates or of the loss of valuable personnel is heightened under current circumstances, with the Pearl Group having embarked on a significant restructuring program in relation to the integration of the Pearl and former Resolution businesses.

If the Pearl Group is unable to maintain the availability of its systems and safeguard the security of its data due to the occurrence of disasters or other unanticipated events, its ability to conduct business may be compromised, which may have a material adverse effect on its results, financial condition and prospects.

The Pearl Group uses computer systems to store, retrieve, evaluate and utilize customer and company data and information. The Pearl Group's computer, information technology and telecommunications systems, in turn, interface with and rely upon third-party systems, including those of third-party outsourcing service providers. The Pearl Group's business is highly dependent on its ability, and the ability of certain third parties, to access these systems to perform necessary business functions, including, without limitation, processing premium payments, making changes to existing policies, filing and paying claims, administering annuity products, providing customer support and managing the Pearl Group's investment portfolios. Systems failures or outages could compromise the Pearl Group's ability to perform these functions in a timely manner, which could harm its ability to conduct business and hurt its relationships with its business partners and customers. In the event of a disaster, such as a natural catastrophe, an industrial accident, a blackout, a computer virus, a terrorist attack or war, the Pearl Group's systems may be inaccessible to its employees, customers or business partners for an extended period of time. The Pearl Group's systems could also be subject to physical and electronic break-ins, and subject to similar disruptions from unauthorized tampering. This may impede or interrupt the Pearl Group's business operations and may have a material adverse effect on our business, operating results and prospects.

Further, because of the long-term nature of much of the Pearl Group life companies' businesses, accurate records have to be maintained for significant periods. While the Pearl Group's systems and processes incorporate controls which are designed to manage and mitigate the operational risks associated with its activities, any weakness in, for example, administration systems or actuarial-reserving processes may have a material adverse effect on its business and results.

Risks Related to the Pearl Group's Business

If the Pearl Group's businesses do not perform well, we may be required to recognize an impairment of the Pearl Group's goodwill or its present value of acquired in-force assets or to establish a valuation allowance against deferred income tax assets, any of which could have a material adverse effect on our results and financial condition.

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

Largely as a result of the substantial volatility in the financial markets, the Pearl Group took a pre-tax impairment charge under UK GAAP of £206 million with respect to PVIF assets in 2008.

While the Pearl Group's consolidated financial statements are currently prepared in accordance with UK GAAP, its results and financial conditions will be consolidated in our financial statements in accordance with IFRS for reporting periods ending after the date of the completion of the proposed acquisition. Under IFRS, we will test goodwill and PVIF assets of the Pearl Group at least annually for impairment. Impairment testing will be performed based upon estimates of the fair value of the "cash generating unit" to which the assets relate. The cash generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows or other assets or groups thereof. The fair value of the cash generating unit is impacted by the performance of the business and could be adversely impacted by any efforts made by us to limit risk. If it is determined that goodwill or PVIF assets have been impaired, we will be required to write down the goodwill or PVIF assets by the amount of the impairment, with a corresponding charge to net income. Such write downs could have a material adverse effect on our results and financial condition.

If current market conditions persist, we may need to reassess goodwill and PVIF asset impairment at the end of each quarter as part of an annual or interim impairment test. Subsequent reviews could result in impairments.

The Pearl Group needs to reduce the expenses of managing long-term business in line with the run-off profile of its funds. The inability to adjust these costs could have a material adverse effect on our results and financial condition.

Pearl Group life companies, by their nature, are in long-term run-off. In order to protect with-profits policyholder benefits and shareholder returns, it will be necessary to reduce the costs of managing the Pearl Group's long-term business at least in line with the run-off profile, which the Pearl Group partly does through the use of outsourcing arrangements. The Pearl Group is exposed to the risk that it may be unable to reduce costs proportionately or to adjust to an appropriate new balance of fixed and variable costs. This exposure could arise, for example, from deficient management, significant changes in the regulatory environment, the requirement to pay VAT on services received or material sector-specific inflationary pressures. The current expense assumptions for policy charges are based on governance costs and the underlying administration services contracts, whether with intra-group or external providers. Significant changes in the actual or budgeted expenses could have a material impact on the Pearl Group's business and results.

If the legislation or regulation to which the Pearl Group companies are subject is amended or interpreted and applied in a new way, the Pearl Group's strategy and profitability may be adversely affected.

The legislation and regulation affecting members of the Pearl Group govern matters with respect to a wide range of areas. In particular, the Pearl Group companies are subject to applicable law and regulation, both within the United Kingdom (principally by the FSA) and internationally (in Hong Kong, Ireland, Luxembourg, Isle of Man, Guernsey and Jersey). The FSA is the most significant of these regulators in respect of the Pearl Group's regulated companies, although other regulators have powers and responsibilities that may affect the Pearl Group's operations within each such regulator's jurisdiction. In addition, Opal Re, which acts as a reinsurer for certain of the Pearl Group life companies and is currently connected to the group by virtue of common shareholders, is subject to regulation under the laws of Bermuda and the rules of the BMA. In connection with the proposed Acquisition, Opal Re will become a wholly-owned subsidiary of Liberty.

The Pearl Group's activities and strategies are based upon prevailing law and regulation. Changes in, and differing interpretation and application of, law and regulation could have a detrimental effect on the Pearl Group's strategy and profitability (including through the imposition of additional compliance costs). Changes in governmental policy, such as in relation to government pension arrangements and policies, could also have an adverse impact on the Pearl Group's results and financial condition. Future changes are inherently unpredictable; however, certain foreseeable changes in U.K. insurance regulation are outlined below.

As a result of fluctuations in investment markets or stricter regulatory capital requirements imposed by the FSA, the Pearl Group may not be able to meet its regulatory capital requirements in the future.

Firms that are permitted to conduct insurance business in the United Kingdom are required to maintain a minimum level of assets (referred to as regulatory capital) in excess of their liabilities. While the Pearl Group's management believes that it will satisfy all of the current regulatory capital requirements, continued fluctuations in investment markets would, directly or indirectly, affect levels of regulatory capital held by the Pearl Group. In addition, the FSA may change existing regulations to impose stricter regulatory capital requirements in the future. For instance, the FSA has required that the Pearl Group retains Insurance Groups Directive (**"IGD"**) capital in excess of 125% of the Group Capital Resources Requirement. An inability to meet regulatory capital requirements in the future could lead to intervention by the FSA, which could be expected to require the Pearl Group to take steps to safeguard the interests of policyholders with a view to restoring regulatory capital to acceptable levels.

The FSA has imposed an OIVOP notice on the Pearl Group.

On November 5, 2008, the Pearl Group informed the FSA that it had become aware that, as a result of market volatility, the Pearl Group's capital resources as of October 27, 2008 were such that Pearl, as of that date, was in technical breach of certain of the FSA's rules and principles regarding the amount of credit that can be taken for Tier 2 capital in relation to Tier 1 capital. To rectify this technical breach, Impala, with the FSA's permission, rebalanced its ratio of Tier 1 to Tier 2 capital by reclassifying the terms of certain of its Tier 2 securities so that they then counted as Tier 1 capital, resulting in the Pearl Group bringing its IGD solvency back into surplus. No injection of new funds was required.

As a result of this technical breach, the FSA, which has broad powers under the FSMA, including, but not limited to, the authority to grant, vary the terms of, or cancel a regulated firm's authorization, to investigate marketing and sales practices and to require the maintenance of adequate capital resources, imposed an own initiative variation of permission (**"OIVOP"**) notice. This notice prevents the regulated entities in the Pearl Group from moving economic resources around or outside the group unless the FSA gives its prior approval. The OIVOP notice also prevents a restructuring of any of the regulated entities without the prior approval of the FSA. Therefore, although many business-as-usual transactions have been pre-approved, the OIVOP notice in its existing form may limit the current ability of the Pearl Group's regulated entities to pay dividends to shareholders, and may therefore impact Pearl Group's ability to cover its expenses or service its debt obligations.

The FSA is aware that the lifting of the OIVOP is a condition to completion of the proposed Acquisition and related debt restructuring. The terms on which the OIVOP notice will be lifted are subject to further discussion and agreement with the FSA. The FSA may seek to impose conditions in relation to the lifting of the OIVOP notice, or the granting of its approval under the FSMA for the change in control of regulated members of the Pearl Group, which will affect the ongoing management of the Pearl Group.

The FSA has required skilled persons' reports and a risk management program in respect of the Pearl Group.

As a consequence of the breach of the FSA's capital requirements referred to in the preceding risk factor, the FSA exercised its powers under Section 166 of the FSMA and appointed KPMG to prepare a report on the financial soundness of the Pearl Group, a so-called Section 166 Skilled Persons' Report. In its report dated March 5, 2009, KPMG concluded, among other things, that without management initiatives being undertaken in 2010 and 2011, the Pearl Group will experience a shortfall in the level of cash available to meet its repayment and interest obligations. The consummation of the Acquisition and the associated debt restructurings is expected to materially reduce the Pearl Group's payment obligations in 2009, 2010 and 2011. See "Agreements Related to the Acquisition — Credit Facilities."

During the first quarter of 2009, the FSA undertook its periodic "Advanced Risk Recognition Operating frameWork," or ARROW, review of the Pearl Group. ARROW is the primary means by which the FSA assesses the risks to its statutory objectives posed by FSA-regulated entities. The outcome of the FSA's ARROW review of the Pearl Group was encapsulated in a risk management program, or RMP, on the Pearl Group, which the Pearl Group is in the process of implementing. The RMP identifies a number of measures that the Pearl Group is required to take to address the concerns raised by the FSA, including: capital and liquidity, governance framework, group financial control and control functions. The Pearl Group management expects that many of the governance concerns identified by the FSA in the RMP will be resolved in connection with the proposed Acquisition.

The FSA's letter delivering the RMP also stated that the FSA would commission an additional Section 166 Skilled Persons' Report reviewing and reporting on the effectiveness of Pearl's board and its overall governance and decision-making structure, including the effectiveness of committees and subsidiary boards. That review is being carried out by Allen & Overy LLP, who are currently expected to deliver their report by July 31, 2009. The Pearl Group's management believes that a number of the factors associated with the FSA's concerns regarding the overall governance and decision-making structure will be addressed as part of the changes to the Pearl Group's structure and governance arrangements in connection with the Acquisition. Nonetheless, there can be no assurance that employees or management of the Pearl Group's FSA-regulated entities will not lose their FSA "approved persons" status as a result of the findings contained in the Allen & Overy report, and, if that were to occur, the Pearl Group may need to replace them.

The FSA has imposed measures on the Pearl Group aimed at protecting the interests of policyholders arising from transactions entered into by certain life companies prior to their becoming part of the Pearl Group.

The FSA has imposed limitations on certain of the Pearl Group's operations in relation to certain derivative-backed hedging arrangements entered into in 2004 prior to their becoming part of the Pearl Group (but which are no longer in place) in relation to the with-profits funds of two companies which had been acquired by Resolution plc and which then became part of the Pearl Group as a result of the acquisition of Resolution plc in May 2008. Pursuant to the transfer to Phoenix Life of the with-profits funds of the two companies in question under Part VII of the FSMA any liabilities in relation to the hedging arrangements arising within either of those two companies were transferred to Phoenix Life. In connection with the FSA's concerns regarding the pricing and related governance of the hedging arrangements, in particular whether the terms of these arrangements may have disadvantaged policyholders, the scope of Phoenix Life's permissions under the FSMA were varied to the effect that Phoenix Life may not make any distribution or loan to its shareholders if and to the extent that such distribution or loan would result in Phoenix Life's capital exceeding what its regulatory capital requirement would otherwise have been by less than £160 million, as calculated in accordance with Phoenix Life's capital policy. In the event that a liability arises between Phoenix Life's shareholder fund and its with-profits funds in relation to the governance or

pricing of the hedging arrangements, the Pearl Group has the benefit of certain contractual protections from the former owner of the two companies in question for the majority of any resulting liability. While the Pearl Group and the FSA have a difference of views regarding the FSA's concerns and requirement to retain an additional level of capital as required by the varied permission, discussions between Phoenix Life, the former owner and the FSA are continuing. However, there can be no assurance either that the FSA will revise its position or that if any liability is imposed on Phoenix Life, the Pearl Group will be successful in recovering under those contractual protections.

As a holding company, Liberty will be dependent upon Pearl and its subsidiaries to cover operating expenses and dividend payments. The FSA has the power to block distributions from FSA-regulated entities to their shareholders.

The Pearl Group's insurance and asset management operations are generally conducted through direct and indirect subsidiaries. As a holding company, Pearl's principal sources of funds are, and in turn Liberty's principal sources of funds will be, dividends from Pearl's subsidiaries, inter-company loans, shareholder-backed funds, shareholder transfers from the Pearl Group's long-term funds and any amounts that may be raised through the issuance of equity, debt and commercial paper. In addition to regulatory restrictions on the payment of dividends, the FSA has the power under the FSMA to block distributions from FSA-regulated entities if, among other things, the FSA deems this necessary to preserve the entities' capital adequacy position. For an example of the FSA's imposition of such a block on the Pearl Group's distributions, see "— The FSA has imposed an OIVOP notice on the Pearl Group."

The potential limitation of distribution from the Pearl Group's FSA-regulated companies may impair the ability of the Pearl Group to service its existing debt commitments or to raise additional financing as required. The Pearl Group's ability to raise debt and equity financing in the future may be negatively impacted by perceptions about the Pearl Group.

The Pearl Group has ongoing, and following the proposed Acquisition will continue to have, principal repayment and interest obligations to a syndicate of lenders. In the event that transfers from the Pearl Group's insurance and investment management subsidiaries is limited by any law or regulatory action as described above, this will impair the Pearl Group's ability to service these obligations. This may result in adverse consequences, including the exercise by the external finance providers of their security rights over shares in Group companies.

In addition, any defaults by the Pearl Group under its debt obligations may impair its ability to raise debt capital in the future. As described above, there are also potential consequential implications for dealings with other market counterparties where the perception of the Pearl Group's creditworthiness has been damaged.

On April 25, 2009, Pearl Group Holdings (No. 1) Limited deferred the interest payments on its £500 million outstanding principal amount of Tier 1 debt. While this deferral was permitted by the terms of the agreements governing this debt, this deferral has created a negative impression of the Pearl Group that could negatively impact the group's ability to raise future financing in the debt and equity capital markets. Following the deferral of the interest payments, an ad hoc committee has been formed to represent the holders of the Tier 1 debt. This committee has expressed the debtholder group's concerns regarding the deferral of the interest payments and an intra-group reorganization that took effect in December 2008, and has sought clarification as to Pearl Group Holdings (No. 1) Limited's intentions in relation to the deferred interest payments, the effectiveness of the dividend stopper that operates at the Pearl Group Holdings (No. 1) Limited level and various other issues.

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

In this proxy and consent solicitation statement, the Pearl Group has provided unaudited embedded value information. European-listed life insurance companies generally publish embedded value information to supplement their financial information prepared in accordance with IFRS, as investors and market analysts view embedded value information as a more realistic measure of valuation and profit reporting than IFRS financial information. The Pearl Group, as well as most European-listed insurance companies, look to

principles or guidelines adopted by the European Insurance CFO Forum (the **"CFO Forum"**) for guidance in reporting embedded value. While all member companies of the CFO Forum that report market-consistent embedded value were required to adopt the CFO Forum's Market-Consistent Embedded Value (**"MCEV"**) principles by December 31, 2009, the CFO Forum, on May 22, 2009, extended this deadline to 2011 to enable the CFO Forum to conduct a review of the impact of recent turbulent market conditions on the MCEV principles. The CFO Forum has acknowledged the MCEV principles were designed during a period of relatively stable market conditions and their application could, in turbulent markets, lead to misleading results. The CFO Forum's review may lead to changes to the published MCEV principles or to the issuance of additional guidance by the CFO Forum. On completion of this review, the Pearl Group will consider its approach to the MCEV principles. If the Pearl Group adopts new principles promulgated by the CFO Forum, this will result in a restatement of reported embedded value results and change the reporting basis of future results. Accordingly, future reported embedded value information may be materially different, or may be prepared in a materially different manner, than the information contained in this proxy and consent solicitation statement.

Pearl Group's consolidated financial statements have been prepared in accordance with UK GAAP, which differs in certain significant respects from IFRS.

The Pearl Group's consolidated financial statements included in this proxy and consent solicitation statement have been prepared in accordance with UK GAAP. While recently issued FRSs under UK GAAP have replicated the wording of corresponding IFRS statements, certain significant differences remain between UK GAAP and IFRS, primarily in relation to the presentation and disclosure required in the financial statements regarding the treatment of goodwill, intangible assets, income and deferred taxes and defined benefit pension schemes.

To enable us to provide financial information under IFRS for reporting periods ending on or after the date that we complete the Acquisition (and comparable IFRS information for prior-year comparable reporting periods), the Pearl Group will need to develop internal financial systems in accordance with IFRS. Although the work to convert to IFRS has begun, it is not yet possible to quantify the impact that the switch from the Pearl Group's current UK GAAP financial reporting system to IFRS will have on us, although its implementation could adversely affect the Pearl Group's results and, in turn, our reported results.

In addition, the International Accounting Standards Board (**"IASB"**) introduced a framework that it described as Phase II, which permitted insurance companies to continue to use the statutory basis of accounting that existed in their jurisdictions prior to January 2005. The IASB has published proposals in its Phase II discussion paper that would introduce significant changes to the statutory reporting of insurance companies that prepare their financial statements in accordance with IFRS. It is uncertain in what form the proposals in the discussion paper will be taken forward into a definitive IFRS and when such changes might take effect. Since the Pearl Group will provide financial information under IFRS for our reporting periods ending on or after the date the Acquisition is completed, we may be subject to the transition from Phase I to Phase II. There can be no assurance that this transition will not adversely affect our results of operations.

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

The Pearl Group wrote a variety of property and casualty insurance business, which was progressively placed into run-off from 1980 onwards. The Pearl Group retains residual exposure to some of this business, and the Pearl Group's strategic intent for some years has been to proactively settle these legacy claim liabilities and dispose of them by way of solvent scheme, retrocession, statutory transfer or sale. The Pearl Group's remaining general insurance business liability exposure amounts to approximately £30 million of claims reserves, net of reinsurance, as of December 31, 2008. Although the Pearl Group aims to hold prudent reserves against its residual exposure, including Incurred But Not Reported Reserves, much of the Pearl Group's remaining legacy general insurance exposure relates to asbestos, pollution, environmental and health hazard liabilities that are long-tail in nature given that it may take many years for a policyholder's injury or harm to become known and the attendant uncertainties regarding what circumstances gave rise to the claim

and who should pay. Therefore, there is a risk that the Pearl Group's current reserves may be inadequate to cover future claims payments under its legacy general insurance business.

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

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

Competition and the current liquidity crisis may make it difficult for the Pearl Group to grow by acquiring additional closed fund life companies and portfolios.

A component of the Pearl Group's strategy is to continue to grow by selectively acquiring additional closed-fund life companies and portfolios and to consolidate these companies and portfolios within the Pearl Group in order to continue to grow the group as its closed life funds run-off.

There are several other closed-fund consolidators as well as a number of other potential purchasers, including other insurance companies, banks, hedge funds and private equity firms. Prices paid to acquire closed funds increased significantly between 2004 and 2007. While the prices of closed-fund life companies and portfolios may have decreased under current market conditions, there can be no assurance that prices will not increase if markets recover.

Moreover, so long as the current liquidity crisis continues and is not substantially abated, the Pearl Group is likely to face difficulties in obtaining additional third-party financing for any acquisitions.

Future acquisitions could have a material adverse effect on the Pearl Group's results, financial condition and prospects if these acquisitions are not successfully integrated into the Pearl Group's operations.

The Pearl Group's ability to acquire closed-fund life companies and portfolios will depend upon a number of factors, including its ability to identify acceptable acquisition candidates, consummate acquisitions on favorable terms, integrate acquired companies and portfolios successfully, obtain regulatory consents from the FSA and other relevant regulatory authorities (such as for transfers and internal fund mergers under Part VII of FSMA) and obtain financing to support growth.

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

Future acquisitions involve risks, including:

- diligence investigations not identifying material liabilities or risks within the acquired business;
- difficulties in integrating the risk, financial, technological and management standards, processes, procedures and controls of the acquired business with those of the Pearl Group's existing operations;
- challenges in managing the increased scope and complexity of the Pearl Group's operations;
- mitigating contingent or assumed liabilities, including employee pension liabilities; and
- unexpected losses of key employees of the acquired operations.

If the Pearl Group is unable to successfully meet the challenges associated with one or more of its future acquisitions, this could have a material adverse effect on our results, financial condition and prospects.

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

The Pearl Group life companies outsource all of their key customer service, policy administration, accounts collection, human resource administration and information technology functions to third-party providers under formal outsourcing arrangements. If the Pearl Group does not effectively develop, implement and monitor its outsourcing strategy, third-party providers do not perform as anticipated or the Pearl Group experiences problems with a transition in outsourcing arrangements, the Pearl Group may experience operational difficulties, increased costs, reputational damage and a loss of business that may have a material adverse effect on our results, financial condition and prospects. In addition, the failure or insolvency of one or more of the Pearl Group's service providers could have a material adverse effect on the group's ability to sustain its ongoing operations.

The Pearl Group is pursuing claims in connection with the collapse of Lehman Brothers.

In proceedings with Lehman Re's liquidators, the Pearl Group's subsidiary Phoenix Life is seeking to recover security provided by Lehman Re under its reinsurance arrangements with Phoenix Life. Pursuant to these arrangements, Lehman Re provided Phoenix Life with security for its reinsurance obligations, the value of which fluctuates with market conditions but which totalled approximately £64 million in the last formal valuation (which was as of June 30, 2007). Lehman Re transferred this security to the security custodian, Lehman Brothers International (Europe) (**"LBIE"**), a Lehman Brothers entity that is also now in administration. In turn, the security custodian transferred, in alleged breach of the custodian arrangements, £50 million of the security to Lehman Brothers Commercial Corporation, a Lehman Brothers entity that is part of Lehman Brothers' U.S. insolvency proceedings. The Pearl Group is seeking further information from Lehman Re's liquidators regarding the status of the security transferred to Lehman Brothers Commercial Corporation and also considering how to recover the security that remained with LBIE.

The collapse of Lehman Brothers also gave rise to two other potential claims by the Pearl Group against the liquidators of Lehman Brothers. The first relates to a potential claim by Phoenix Pensions Limited in respect of a loss of up to £15 million in relation to various swap arrangements entered into with LBIE. The second relates to Phoenix Life's claim for recovery of a proportion, which has yet to be determined, of an approximately $60 million investment in a U.S. life insurance company.

There can be no assurance that the Pearl Group will be successful in collecting anything from any of the Lehman Brothers entities or their bankruptcy estates.

Litigation could cause the Pearl Group to incur significant expenses, which could have a material adverse effect on its financial condition and cash flows.

From time to time, the Pearl Group is party to various litigation matters (including the matters discussed in "Information About the Pearl Group — Legal Proceedings"), some of which seek monetary damages. The Pearl Group's management cannot predict with certainty the outcome of any pending litigation or potential future litigation, and the Pearl Group may incur substantial expense in pursuing or defending these lawsuits, which could have a material adverse effect on the Pearl Group's financial condition and cash flows.

Potential liabilities may not be covered by insurance, the Pearl Group's insurers may dispute coverage or may be unable to meet their obligations, or the amount of the Pearl Group's insurance coverage may be inadequate. Moreover, even if claims brought against the Pearl Group are unsuccessful or without merit, the Pearl Group would have to defend itself against such claims. The defense of any such actions may be time-consuming and costly and may distract the Pearl Group's management's attention. As a result, the Pearl Group may incur significant expenses and may be unable to effectively operate its business.

The Pearl Group may be required to make further contributions to its employee defined benefit pension schemes if the value of pension fund assets is not sufficient to cover potential obligations under the schemes.

The Pearl Group maintains a number of defined benefit pension schemes for past and current employees, all of which have been closed to new participants, subject to the Pearl Group's ability to admit new members at its discretion. Pensions risk is the risk that the liabilities of the pension schemes, which are long-term in nature, will exceed the schemes' assets, including when measured on the buy-out basis (i.e., the cost of buying out all members' benefits with an insurer), as a result of which the Pearl Group is required or may choose to make additional contributions to the schemes. A significant proportion of the liabilities of the two key pension schemes, the pension scheme covering the employees of the Pearl Group and companies that had been acquired by the Pearl Group prior to the acquisition of Resolution (the **"Pearl Group Pension Scheme"**) and the pension scheme covering the employees of Resolution and companies that had been acquired by Resolution (the **"PGL Staff Pension Scheme"**), relate to ex-employees (only 371 members of the combined membership of over 34,000 under these two schemes still work for the Pearl Group) and as such there is a divergence of interests between the pension trustees who want to protect members' interests and the security of benefits, and the Pearl Group who want to minimize pension costs.

The interaction of, among other things, increased life expectancy, poorly performing equity markets and low interest rates over the past several years has had a significant negative impact on the funding levels of the pension schemes. At the time of the last actuarial valuations of the pension schemes in 2006, both the Pearl Group Pension Scheme and the PGL Staff Pension Scheme had significant funding deficits and it is likely that these deficits will have grown since. This has materially and adversely affected the Pearl Group's funding obligations in respect of the pension schemes. Any decline in the equity market, changes in mortality and/or morbidity rates or future decreases in interest rates could increase the pension schemes' funding deficit and require additional funding contributions in excess of those currently expected. An increase in required funding contributions could have a material adverse effect on the Pearl Group's financial condition and results of operations.

The pension schemes' trustees are obligated to undertake triennial valuations of the schemes and agree with the Pearl Group statutory funding documents setting out funding plans for the schemes, although the trustees are free to call for a further valuation on any earlier date if they see fit. The U.K. Pensions Regulator is required to review each funding plan, and may, if it is not satisfied that the Pearl Group will eliminate the funding deficit in a timely manner, put pressure on the trustees of the relevant pension scheme to seek to revise the plan. The Pearl Group could also be pressured by the pension trustees or, in certain circumstances, directed by the U.K. Pensions Regulator, to make additional contributions to the pension schemes (e.g., as a result of any corporate activity which the U.K. pension regulator views as having a material, detrimental effect on the pension schemes or due to a conflict of interest that may arise as a result of Axial being responsible for the investment management function of the pension schemes). Alternatively, the Pearl Group may choose to make additional contributions to the schemes.

If the next triennial valuation (or earlier as may be the case) reveals that the funding deficit of the Pearl Group Pension Scheme or the PGL Staff Pension Scheme is such that the contributions agreed under the current funding plans will not clear the revised deficit, the pension trustees may seek increased contributions from the Pearl Group. As regards the Pearl Group Pension Scheme, Pearl has reached an agreement with the trustees of the Pearl Group Pension Scheme which should substantially govern scheme funding up to 2027. Please refer to the section "Agreements Related to the Acquisition — Pearl Group Pension Scheme Agreements." As regards the funding position of the PGL Staff Pension Scheme, contributions will need to be agreed between the principal employer and the trustees. Following the last full valuation in 2006. Resolution agreed to pay contributions of £15 million per year to the PGL Staff Pension Scheme for five years up to 2012. The next triennial valuation is to be carried out as of June 30, 2009. There is a risk that the funding deficit will have increased and that, as a result, the Pearl Group will need to review the rate at which it contributes to the PGL Staff Pension Scheme. Such increased contributions would need to be agreed by the Pearl Group (and in some cases certified by the scheme actuary), but if no agreement is reached, the U.K. Pensions Regulator has statutory power to fix the contribution rate. Such a position could arise if the relevant

pension scheme's investments do not produce the rate of return targeted by the pension trustee, if the scheme's liabilities increase as a result of further falls in interest rates, if there are further improvements in life expectancy assumptions that have to be brought into account in the relevant scheme valuation or other changes in the valuation assumptions that cause liabilities to increase. In practical terms, as regards the Pearl Group Pension Scheme, the funding arrangement will be given by a legally binding agreement on scheme funding entered into between Group and the scheme trustees, which replaces a 'contract for differences' arrangement signed 2007. Further details on this new funding arrangement are set out in "Agreements Related to the Acquisition — Pearl Group Pension Scheme Agreements."

The pension schemes' trust deeds do not contain a unilateral power for the relevant pension trustees to wind up the pension schemes. However the pension trustees may make an application to the U.K. Pensions Regulator for an order to wind up the pension schemes. A winding-up order can only be made if the U.K. Pensions Regulator is satisfied that both the winding up of the pension scheme is necessary to protect the interests of the members of the pension scheme and that it is reasonable to make such an order.

If the pension schemes were to be wound up, the relevant employers would be responsible, under section 75 of the U.K. Pensions Act 1995, for funding the pension schemes up to the level of the cost of buying out the benefits for all scheme members with an insurer. This cost would be considerably more than the value placed on the liabilities while the schemes are ongoing. If this deficit were triggered, this could have a material adverse effect on the Pearl Group's financial condition and results of operations and could result in the insolvency of the Pearl Group.

Funding obligations (on a share of the buy-out basis) can also arise under section 75 of the U.K. Pensions Act 1995 if an employer ceases to participate in the pension schemes (e.g., on a sale). Any such section 75 debt would be by reference to the relevant employing company's share of the total buy-out debt, the total buy-out debt being equivalent to the funding deficit calculated on a winding-up basis. In certain limited circumstances the relevant pension trustees and the U.K. Pensions Regulator may agree to a reduction in the amount of this debt.

It is possible that such funding obligations could prevent the Pearl Group entering into business disposals involving employers participating in the defined benefit pension schemes, if the amount of the funding obligation arising under section 75 of the U.K. Pensions Act 1995 made such a disposal uneconomic and the pension trustees of the relevant pension scheme and/or the U.K. Pensions Regulator were unwilling to agree to a reduction in the debt to a point where a disposal became viable.

The U.K. Pensions Regulator also has statutory powers in some circumstances to require persons connected or associated with an employer (such as other companies within the Pearl Group) to contribute to reduce the underfunding in the pension schemes. On the basis that Liberty will take control of the Pearl Group, then Liberty will be deemed to be a connected or associated party with the pension schemes and as a result could be within the scope for the Regulator to issue +one of these measures in the future provided that a number of conditions are met. These measures can be issued in a number of circumstances, including, but not limited to, where the Regulator believes that there has been an act or a failure to act designed to avoid or reduce the payment of a statutory pensions debt, or where there is an 'insufficiently resourced' scheme employer. Broadly, 'insufficiently resourced' means having insufficient resources — in very basic terms, measured by tests related to net asset value — to cover 50% of the relevant employer's proportion of the pension schemes' funding deficit measured on a buy-out basis.

Risks Related to the Proposed Acquisition

We may become subject to U.K. corporation tax, which could have an adverse effect on our results, financial condition and prospects.

Since we are not incorporated in the United Kingdom, we will not be treated as being resident in the United Kingdom for U.K. corporation tax purposes unless our central management and control is exercised in the United Kingdom. The concept of central management and control is indicative of the highest level of

control of a company, which is a question of fact. Our directors intend to operate in a manner such that we will not be resident in the United Kingdom for tax purposes.

A company not resident in the United Kingdom for U.K. corporation tax purposes can nevertheless be subject to U.K. corporation tax if it carries on a trade through a permanent establishment in the United Kingdom, but the charge to U.K. corporation tax is limited to profits attributable to such a permanent establishment. Our directors intend to operate in a manner such that we will not carry on a trade through a permanent establishment in the United Kingdom.

If we are treated as being resident in the United Kingdom for U.K. corporation tax purposes, or if we are treated as carrying on a trade in United Kingdom through a permanent establishment, this could have an adverse effect on our results, financial condition and prospects.

Our obligation to service our debt may make it difficult for us to operate our business.

Upon consummation of the proposed Acquisition, the combined group will have reduced its leverage but will still have outstanding bank debt of approximately £2.8 billion.

Our leverage following the completion of the Acquisition will have important consequences for our shareholders, including:

- making it more difficult for us to satisfy our obligations with respect to our debt and other liabilities;
- requiring us to dedicate a substantial portion of our cash flow to payments on our debt, thus reducing distributions to our shareholders;
- increasing our vulnerability to a downturn in economic conditions;
- exposing us to interest rate increases to the extent of our unhedged variable rate debt;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Our bank covenants impose limitations on our ability to undertake certain actions. See "Agreements Related to the Acquisition — Credit Facilities."

Our current directors either directly or beneficially own ordinary shares and warrants and have other interests in the Acquisition that are different from and in addition to yours. If the Acquisition is not approved, the securities held by them will become worthless unless we consummate an alternate business combination within the required time frame.

As of the date hereof, our Founders beneficially own, in the aggregate, 20% of our issued and outstanding ordinary shares (14.7% in the aggregate upon consummation of the Acquisition and after giving effect to the Mandatory Redemption, and including 4,000,000 Sponsors' Warrants that become exercisable upon the consummation of the Acquisition). Mr. Berggruen is deemed to beneficially own approximately 9.9% of our issued and outstanding ordinary shares (7.4% upon consummation of the Acquisition and after giving effect to the Mandatory Redemption contemplated by the Warrant Amendment and including 2,000,000 Sponsors' Warrants that become exercisable upon the consummation of the Acquisition), and Mr. Franklin is deemed to beneficially own approximately 9.9% of our issued and outstanding ordinary shares (7.4% upon consummation of the Acquisition and after giving effect to the Mandatory Redemption contemplated by the Warrant Amendment and including 2,000,000 Sponsors' Warrants that become exercisable upon the consummation of the Acquisition). All of the shares that they are deemed to beneficially own and control are owned indirectly through their respective affiliates.

Our Founders beneficially own warrants to purchase 23,000,000 ordinary shares. Of these warrants, 15,000,000 were included in the units purchased by our Founders in a private placement for €0.00124 per unit, and 8,000,000 were purchased by our Sponsors for €1.00 per warrant immediately prior to the consummation of our initial public offering. In light of the amount of consideration paid, our Founders will likely benefit from the consummation of the Acquisition, even if the Acquisition causes the market price of our securities to significantly decrease. Furthermore, the €8.0 million purchase price of the 8,000,000 Sponsors' Warrants will be included in the working capital that is distributed to our public shareholders in the event of our liquidation and dissolution. This may influence their motivation for promoting the Acquisition, soliciting proxies for the adoption of the Acquisition Proposal and/or soliciting consents for the Warrant Amendment.

In particular, in considering the recommendation of our board of directors elsewhere in this proxy and consent solicitation statement to vote "FOR" the Acquisition Proposal, you should also be aware that if the Acquisition is not approved and we fail to consummate an alternative transaction within the required time frame, the shares and warrants held by our Founders will be worthless because our Founders are not entitled to receive any of the net proceeds from our initial public offering that may be distributed upon our liquidation, and the shares and warrants held by our Founders are subject to lock-up agreements and, subject to certain exceptions, may not be sold, assigned or transferred prior to our consummation of a business combination. Our Founders acquired their units prior to our initial public offering at a price per unit of €0.00124. Our Founders will therefore also benefit if the Acquisition is approved.

In addition, if we liquidate and dissolve prior to the consummation of a business combination, Messrs. Berggruen and Franklin, pursuant to certain written agreements executed in connection with our initial public offering, will be personally liable to ensure that the proceeds in the Trust Account are not reduced by the claims of various vendors that are owed money by us for services rendered or products sold to us and target businesses who have entered into written agreements, such as a letter of intent or confidentiality agreement, with us and who have not waived all of their rights to make claims against the proceeds in the Trust Account. In considering the recommendations of our board of directors to vote for the Acquisition Proposal and the other Proposals, you should consider these personal and financial interests. Additionally, the exercise of our directors' discretion in agreeing to changes or waivers in the terms of the Acquisition may result in a conflict of interest when determining whether such changes or waivers are appropriate and in our best interest.

Unless we complete a business combination, Mr. Berggruen and our other directors will not receive reimbursement for any out-of-pocket expenses they incur if such expenses exceed the amount of our available cash that is not in the Trust Account. Therefore, these directors may have a conflict of interest in determining whether the Acquisition is appropriate for a business combination and in the public shareholders' best interest.

Mr. Berggruen and our other directors will not receive reimbursement for any out-of-pocket expenses incurred by them to the extent such expenses exceed the amount not required to be retained in the Trust Account, unless a business combination is consummated. Mr. Berggruen and our other directors have, as part of the Acquisition, negotiated the payment or repayment of some or all of any such expenses. Thus, they may have been a conflict of interest when determining whether a particular business combination is in our best interest.

The price of our ordinary shares after the Acquisition may be less than what you originally paid for your shares prior to the Acquisition.

The market for securities of companies in our industry may be volatile. Our ordinary shares after the Acquisition may trade at prices lower than what you originally paid for your shares prior to the Acquisition.

A substantial additional number of Liberty's shares will be issued in connection with the Acquisition, which will result in substantial dilution and could have an adverse effect on the market price of those shares.

We expect that 110,630,000 of our ordinary shares and Class B ordinary shares (subject to adjustment) may be issued or issuable in connection with the Acquisition and the Mandatory Redemption (including shares issuable upon exercise of warrants and any share-based awards that may be granted under the Share Plans). Upon consummation of the Acquisition, there will be 132,206,400 ordinary shares (including Class B ordinary shares) of Liberty issued and outstanding. After giving effect to the Acquisition and the Mandatory Redemption, our existing shareholders would own approximately 52.3% of our ordinary shares on a fully diluted basis (including shares issuable upon exercise of warrants and any share-based awards that may be granted under the Share Plans). As of the Record Date, there were 75,000,000 of our ordinary shares issued and outstanding. As a result of the dilutive effect of the issuance of our ordinary shares and Class B ordinary shares in the Acquisition, and after giving effect to the Mandatory Redemption contemplated by the Warrant Amendment, for purposes of illustration, a shareholder who owned 5.0% of our outstanding ordinary shares on the date hereof, would own approximately 2.8% of our outstanding ordinary shares immediately following the closing of the Acquisition assuming no redemption of shares by our shareholders and no exercise of our outstanding warrants.

Certain contractual transfer restrictions applicable to our Sponsors may be terminated at the option of TDR Capital and a principal of Sun Capital.

In connection with the Acquisition, each of our Sponsors agreed, subject to certain exceptions, not to sell or otherwise transfer, directly or indirectly, any of its Founders' Shares, Founders' Warrants (including the shares to be issued upon exercise of the Founders' Warrants) and Sponsors' Warrants (including the shares to be issued upon exercise of the Sponsors' Warrants) until one year from the date of the consummation of a business combination. Those transfer restrictions may be waived at the option of TDR Capital and Hugh Osmond, a principal of Sun Capital. If those transfer restrictions are waived, the resulting immediate eligibility for future resale in the public market of these shares and warrants could have an adverse effect on the market price of those shares.

We do not have any operations, and Pearl does not currently operate as a public company. Fulfilling our obligations as a public company after the Acquisition will be expensive and time consuming.

Pearl, as a private company, has not been required to prepare or file periodic and other reports with the AFM under the applicable Dutch securities laws or to comply with other requirements applicable to public companies. Although the Pearl Group has established internal controls over financial reporting necessary to meet its financial reporting and disclosure obligations to the FSA and we have maintained disclosure controls and procedures and internal control over financial reporting as required under the Dutch securities laws with respect to our activities, neither Pearl nor Liberty has been required to establish and maintain such disclosure controls and procedures and internal controls over financial reporting as will be required with respect to a public company with substantial operations. As a result of the increased costs associated with being an operating public company after the Acquisition, operating income as a percentage of revenue is likely to be lower.

Euronext may delist our securities, which could limit the ability of our shareholders to make transactions in our securities and subject us to additional trading restrictions.

Our securities are listed on Euronext. We cannot assure you that our securities will continue to be listed on Euronext, as we might not meet certain continued listing standards, or that our securities will be approved for listing on an alternative stock exchange.

We may choose to redeem our warrants at a time that is disadvantageous to our warrant holders.

Assuming the approval of the Warrant Amendment and the consummation of the Mandatory Redemption, we may redeem the warrants that remain outstanding thereafter at any time after such warrants become exercisable in whole and not in part, at a price of €0.01 per warrant, upon a minimum of 30 days' prior written notice of redemption, if and only if, the last sales price of our ordinary shares equals or exceeds €16.50 per share for any 20 trading days within a 30-trading day period ending three business days before we send the notice of redemption. Redemption of the warrants could force the warrant holders (1) to exercise the warrants and pay the exercise price therefor at a time when it may be disadvantageous for the holders to do so, (2) to sell the warrants at the then current market price when they might otherwise wish to hold the warrants or (3) to accept the nominal redemption price, which, at the time the warrants are called for redemption, is likely to be substantially less than the market value of the warrants.

Our outstanding warrants may be exercised in the future, which would increase the number of shares eligible for future resale in the public market and result in dilution to our shareholders. This might have an adverse effect on the market price of our ordinary shares.

Assuming the approval of the Warrant Amendment and the consummation of the Mandatory Redemption, and excluding 11,468,200 warrants to be held by our remaining Founders following the consummation of the Mandatory Redemption, outstanding redeemable warrants to purchase an aggregate of 30,000,000 ordinary shares will become exercisable immediately following the consummation of the Acquisition. These warrants would presumably only be exercised if the €11.00 per share exercise price is below the market price of our ordinary shares. To the extent they are exercised, we will issue additional ordinary shares, which will result in dilution to our shareholders and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our shares.

Because we are incorporated under the laws of the Cayman Islands, you may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal or Dutch courts may be limited.

We are a company incorporated under the laws of the Cayman Islands and, following the Acquisition (if consummated), substantially all of our assets will be located outside of the United States and the Netherlands. In addition, all of our directors and officers will be nationals or residents of jurisdictions other than the Netherlands and all or a substantial portion of their assets will be located outside the United States and the Netherlands. As a result, it may be difficult for investors to effect service of process within the United States or the Netherlands upon us or our directors or officers, or enforce judgments obtained in the United States or Dutch courts against us or our directors or officers. Our corporate affairs will be governed by our M&AA, the Companies Law and the common law of the Cayman Islands. The rights of shareholders to take action against us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from England, the decisions of whose courts are of persuasive authority, but are not binding on a court in the Cayman Islands, other than decisions by the Privy Council on appeal from the Cayman Islands, which are binding on a court in the Cayman Islands. The Cayman Islands has a less developed body of securities laws as compared to the United States, the Netherlands, the United Kingdom and other European jurisdictions, and some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a court in the Cayman Islands, a court in Amsterdam, a court in the United Kingdom or in a federal court of the United States. The Cayman Islands courts are also unlikely to impose penal liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. or Dutch securities laws.

There is no statutory recognition in the Cayman Islands of judgments obtained in the Netherlands, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. It is doubtful the courts of

the Cayman Islands will, in an original action in the Cayman Islands, recognize or enforce judgments of U.S. or Dutch courts predicated upon the civil liability provisions of the securities laws of the United States, the Netherlands or any state of the United States where such provisions are penal in nature. The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by officers, directors or controlling shareholders than they would as public shareholders of a United States company or a Dutch company.

Anti-money laundering laws might cause us to refuse a redemption payment to shareholders.

We reserve the right to refuse to make any redemption payment to a shareholder if our directors or officers suspect or are advised that the payment of redemption proceeds to such shareholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure our compliance with any such laws or regulations in any applicable jurisdiction.

Risks Related to a Failure to Consummate the Acquisition

If you fail to vote or abstain from voting on the adoption of the Acquisition Proposal, you may not exercise your redemption rights to redeem your shares for a pro rata portion of the aggregate amount then in the Trust Account.

Holders of ordinary shares issued in our initial public offering who vote against adoption of the Acquisition Proposal may elect to have us redeem their shares for cash equal to a *pro rata* portion of the aggregate amount then in the Trust Account. Shareholders who seek to exercise this redemption right must submit their vote against adoption of the Acquisition Proposal and their election that we redeem their shares for cash no later than the Deadline. Any shareholder who fails to vote or who abstains from voting on the Acquisition Proposal may not exercise his or her redemption rights and will not receive a *pro rata* portion of the aggregate amount then in the Trust Account.

We may have insufficient time or funds to complete an alternate business combination if the Acquisition Proposal is not adopted by our shareholders or the Acquisition is otherwise not completed.

Pursuant to our M&AA, among other things, we must complete a business combination prior to February 13, 2010. If we do not comply with this requirement, our liquidation will be triggered by operation of our articles of association. The foregoing requirements are set forth in our articles of association and may only be amended by a resolution adopted by holders voting 66.66% of our shares in favor of such resolution at a meeting in which the holders of 100% of the outstanding shares must be present in order to constitute a quorum. If the Acquisition Proposal is not adopted by our shareholders, we will not complete the Acquisition and may not be able to consummate an alternate business combination within the required time frame, either due to insufficient time or insufficient operating funds. In addition, our negotiating position and our ability to conduct adequate due diligence on any potential target may be reduced as we approach the deadline for the consummation of a business combination. If we liquidate and dissolve before we consummate a business combination and distribute the Trust Account proceeds, we expect that our public shareholders will receive €10.08 per share (plus any accumulated interest after June 1, 2009), and our warrants will expire and become worthless.

If we liquidate before concluding a business combination, our public shareholders will receive a portion of the distribution of Trust Account funds and all of our warrants will expire and become worthless.

If we are unable to complete a business combination and must liquidate our assets, we expect that the per-share liquidating distribution will be €10.08 (plus any accumulated interest after June 1, 2009). In addition, all of our warrants will expire and become worthless. If, however, you properly exercise your redemption rights and the Acquisition is consummated, we expect that the per share redemption price will be approximately €9.93 per share, or approximately €0.15 per share less than the liquidation price, as a result of

the €9.0 million deferred underwriting fee payable upon the consummation of the Acquisition. We cannot assure you that the actual per share liquidation price will not be less than €10.08.

If third parties bring claims against us, the proceeds held in the Trust Account may be reduced and the per share liquidation price received by you may be less than €10.08 per share.

Our deposit of funds in the Trust Account may not protect those funds from third-party claims against us. There is no guarantee that any waivers executed by vendors, prospective target businesses or other entities in an executed agreement with us, waiving any right, title, interest or claim of any kind in or to any monies held in the Trust Account, will prevent such contracted parties from making claims against the Trust Account. Nor is there any guarantee that such waivers are enforceable. Accordingly, the proceeds held in the Trust Account may be subject to claims which would take priority over the claims of our public shareholders and, as a result, the per-share liquidation price could be less than €10.08 due to claims of such creditors. If we are unable to complete a business combination and are forced to liquidate and dissolve, we cannot assure you that Messrs. Berggruen and Franklin will be able to satisfy obligations for which they agreed to be personally liable to ensure that the proceeds in the Trust Account are not reduced by the claims of prospective target businesses, vendors or other entities that are owed money by us for services rendered or products sold to us.

Additionally, if insolvency proceedings are commenced against us and are not dismissed, the funds held in the Trust Account will be subject to applicable Cayman Islands insolvency law and, potentially, the insolvency law of the United Kingdom, the jurisdiction where the Trust Account is located, and may be included in our insolvency estate and subject to claims of third parties with priority over the claims of our public shareholders. To the extent such claims deplete the Trust Account, we cannot assure you that we will be able to return any amounts to our public shareholders.

If we do not consummate a business combination and liquidate, payments from the Trust Account to our public shareholders may be delayed.

Following our liquidation by operation of our M&AA upon the expiration of the business combination deadline, our activities will be limited to acts and activities relating to liquidation and winding-up. Pursuant to the investment management trust agreement governing such funds, the funds held in the Trust Account may not be distributed except upon liquidation by operation of our articles of association upon the expiration of the deadline for us to complete a business combination and the funds held in the Trust Account will not be released (other than in connection with the funding of working capital, a redemption of shares, a business combination or as described elsewhere in this proxy and consent solicitation statement). Our liquidation may take a significant amount of time, depending on the assets and liabilities remaining after liquidation, possible legal proceedings, and other unforeseen events material to liquidation. As a result, payments to be made to public shareholders from the Trust Account may be delayed.

Risks Related to U.S. Federal Income Taxation

We may be a passive foreign investment company which could lead to additional taxes for U.S. holders of our shares or warrants.

A PFIC is a non-U.S. corporation that meets either the income or asset PFIC tests. The income test is met if 75% or more of a company's gross income is "passive income" (generally dividends, interest, rents, royalties and gains from the disposition of passive assets) in any taxable year. The asset test is met if the average value of the assets held by a company during the taxable year which produce, or are held for the production of, passive income is at least 50%. The PFIC provisions contain a look-through rule under which a foreign corporation is treated as if it "received directly its proportionate share of the income" and as if it "held its proportionate share of the assets" of any other foreign corporation in which it owns at least 25% of the value of the stock. Passive income does not include income derived in the active conduct of an insurance business by a company which is predominantly engaged in an insurance business and, if it were a U.S. corporation, would be subject to tax under special rules that apply only to insurance companies. If the Pearl Group's activities do not constitute a qualifying insurance business under this exception, we will be considered a PFIC.

The application of this exception is uncertain. In addition, because our income or assets, the income or assets of our subsidiaries, or our activities or the activities of our subsidiaries may change in the future, we may in the future be treated as a PFIC.

If we are considered a PFIC, a U.S. holder of our shares or warrants could be subject to substantially increased tax liability, including taxation at ordinary income rates and an interest charge upon the sale or other disposition of the U.S. holder's shares or warrants or upon the receipt of "excess distributions" from us. In addition, if we are considered a PFIC, upon the death of an individual owning shares or warrants (unless such individual was not a United States person at any time during his or her holding period for the shares or warrants), such individual's heirs or estate would not be entitled to a "step-up" in the basis of the shares or warrants that might otherwise be available under U.S. federal income tax laws. Certain elections may sometimes be used to reduce the adverse impact of the PFIC rules but may not be available to U.S. holders. If these elections are available, they may result in a current U.S. federal tax liability prior to any distribution or disposition of the shares or warrants, and without the assurance of a U.S. holder receiving an equivalent amount of income or gain from a distribution or disposition. A U.S. holder may be subject to such tax liability even if we cease to meet the PFIC income and asset tests.

A corporation that is a CFC (as defined below) will generally not be treated with respect to a shareholder as a PFIC during the portion of the shareholder's holding period during which the shareholder is a 10% U.S. Shareholder (as defined below) and the corporation is a CFC. Therefore, for any year in which we are both a PFIC and a CFC, a holder of our stock that is a 10% U.S. Shareholder (as defined below) may be subject to the CFC rules and not the PFIC rules with respect to our shares.

U.S. persons who own 10% or more of our ordinary shares (or that qualify as RPII Shareholders) may be subject to adverse tax consequences under the controlled foreign corporation rules

If we are or become a CFC, "10% U.S. Shareholders" (as defined below), may be taxed on their *pro rata* share of certain of our "subpart F income," including insurance income, even if that income is not distributed by us. A non-U.S. corporation is a "CFC" if more than 50% of its shares (by vote or value) is owned by "10% U.S. Shareholders," or in certain cases for purposes of taking into account insurance income, 25% of its shares (by vote or value) is owned by "10% U.S. Shareholders." A U.S. person is a "10% U.S. Shareholder" if such person owns (directly, indirectly and/or constructively) 10% or more of the total combined voting power of all classes of shares entitled to vote of such corporation. A different definition of a CFC is applicable for purposes of taking into account "related person insurance income," or RPII. RPII is subpart F insurance income attributable to insurance policies or reinsurance contracts where the person that is directly or indirectly insured or reinsured is or is related (under certain complex definitions) to a U.S. person who owns, directly or indirectly, any amount of shares of the foreign corporation. A foreign corporation is, subject to certain exceptions, treated as a CFC for RPII purposes if RPII Shareholders (as defined below) collectively own directly, indirectly, or by application of the constructive ownership rules 25% or more of the stock of the foreign corporation by vote or value. An "RPII Shareholder" is a U.S. person who owns, directly or indirectly, any amount of shares of a foreign corporation.

In general, if a U.S. person sells or exchanges stock in a foreign corporation and such person is a "10% U.S. Shareholder" at any time during the 5-year period ending on the date of the sale or exchange when such foreign corporation was a CFC, any gain from such sale or exchange may be treated as a dividend to the extent of the corporation's earnings and profits attributable to such shares that were accumulated during the period that the shareholder held the shares while the corporation was a CFC (with certain adjustments). Further, in certain cases, if a U.S. person disposes of shares in a non-U.S. insurance corporation in which such U.S. person is an RPII Shareholder, any gain realized by the U.S. person from the disposition will generally be treated as ordinary income to the extent of the U.S. person's share of the corporation's undistributed earnings and profits that were accumulated during the period that the U.S. person owned the shares.

EXCHANGE RATES

The following chart shows for certain periods from January 1, 2004, through June 30, 2009, the average, high and low spot rates as recorded by the Bank of England expressed as pound sterling per euro. The low spot rate on June 30, 2009 was £0.8518 per €1.00. These exchange rates are included for the convenience of shareholders and warrant holders whose functional currency is not the euro.

	Low	High	Average	At Period End
		(Pounds sterling per euro)		
Year ended December 31,				
2004	0.6565	0.7094	0.6787	0.7078
2005	0.6624	0.7057	0.6837	0.6872
2006	0.6684	0.7014	0.6817	0.6738
2007	0.6557	0.7378	0.6844	0.7343
2008	0.7411	0.9804	0.7964	0.9670
2009 (through June 30)	0.8449	0.9609	0.8938	0.8518

Source: Bank of England Website

THE EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting

We are furnishing this proxy and consent solicitation statement to you as part of the solicitation of proxies by our board of directors for use at the extraordinary general meeting in connection with the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and the Adjournment Proposal.

Date, Time and Place

The extraordinary general meeting of shareholders of Liberty will be held at 12:00 p.m., British Summer Time, on July 24, 2009, at the Grand Jersey hotel, Esplanade, St. Helier, Jersey, JE2 3QA, Channel Islands.

Purpose of the Extraordinary General Meeting

At the extraordinary general meeting, the holders of ordinary shares are being asked to:

- approve the acquisition by Liberty of the Pearl Group and Opal Re pursuant to the Purchase Agreements and the transactions contemplated thereby;
- approve a change of Liberty's name from "Liberty Acquisition Holdings (International) Company" to "Pearl Group" effective upon the consummation of the Acquisition;
- approve (i) a decrease in the authorized share capital of Liberty from €30,100 (divided into 300,000,000 ordinary shares at a par value of €0.0001 each and 1,000,000 preferred shares at a par value of €0.0001 each) to €30,000 divided into 300,000,000 ordinary shares at a par value of €0.0001 each and (ii) an increase in the authorized share capital of Liberty from €30,000 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each) to €41,000 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each and 110,000,000 Class B ordinary shares of a par value of €0.0001 each), effective immediately prior to the consummation of the Acquisition;
- approve the removal, effective upon the consummation of the Acquisition, of certain provisions contained in Articles 9.2, 20.1 and 20.4 of Liberty's M&AA;

- approve the manner of the repurchase by Liberty of 63,600 ordinary shares held by one of Liberty's Founders and initial directors who resigned on October 29, 2008;
- approve the amendment and restatement of Liberty's M&AA, effective upon the consummation of the Acquisition, which will include the amendments referred to in each of the Name Change Proposal, the Authorized Share Capital Proposal and the Quorum Amendment Proposal, and will include:
  - the rights of the Class B ordinary shares, including the right of the Class B ordinary shares to be converted on a one-for-one basis, by variation of rights and re-designation, into ordinary shares, subject to compliance with applicable laws, including the rules and regulations of any investment exchange on which the ordinary shares are admitted to trading; and
  - provision for the compulsory and automatic redemption of certain Class B ordinary shares in order to meet certain indemnification obligations of the Sellers under the Purchase Agreements; and
  - certain additional provisions relating to corporate governance of Liberty and takeover provisions following the Acquisition;
- approve the adoption of the Share Plans, pursuant to which up to an aggregate of 3,500,000 Class B ordinary shares will be available for issuance to our directors, officers and employees following the consummation of the Acquisition, and additional ordinary shares will be available for issuance if our ordinary shares are admitted to trading on the Official List of the London Stock Exchange; and
- authorize the adjournment of the extraordinary general meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event there are insufficient votes at the time of the extraordinary general meeting to adopt any of the Proposals.

Recommendation of Liberty's Board of Directors

Liberty's board of directors:

- has unanimously determined that the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and the Adjournment Proposal are fair to, and in the best interests of, Liberty and its shareholders;
- has determined that the fair market value of Pearl is equal to or greater than 80% of the value of the net assets of Liberty (excluding underwriters' discounts and commissions of approximately €9.0 million);
- has unanimously approved the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and the Adjournment Proposal; and
- unanimously recommends that the holders of ordinary shares vote "FOR" the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and, if necessary, the Adjournment Proposal.

In considering the recommendation of Liberty's board of directors to vote "FOR" the Acquisition Proposal, you should be aware that certain members of Liberty's board of directors may have interests different from or in addition to your interests as a shareholder. See "The Acquisition Proposal — Interests of Liberty Directors and Officers in the Acquisition."

Record Date; Who Is Entitled to Vote

The Record Date for the extraordinary general meeting is June 27, 2009. Under Cayman Islands law and the M&AA, registered holders of ordinary shares at the close of business on the Record Date, as recorded in the register of members of Liberty, are entitled to notice of and to vote or have their votes cast at the

extraordinary general meeting. Currently, the Public Shares are registered in the name of Euroclear Nederland although this entity has provided a standing proxy to RBS to vote the Public Shares in its place.

Under Dutch law, the holders of the ordinary shares who hold their ordinary shares in book-entry form through the records of the Admitted Institutions are considered the legal owner of the ordinary shares and therefore are entitled to vote their ordinary shares by instructing RBS as the Euroclear Agent at the extraordinary general meeting. Upon receipt of such instructions, RBS is entitled to vote such ordinary shares in accordance with the instructions of such holders in accordance with the standing proxy from Euroclear Nederland, as our registered shareholder of the Public Shares (excluding the Founders as described below).

The persons entitled to (i) instruct RBS to vote at the extraordinary general meeting and any adjournment or postponement thereof and (ii) attend the meeting in accordance with the procedures set forth in the proxy and consent solicitation statement shall be those persons who, on the Record Date (not taking into account any pending settlements on that date), are recorded in the records as of the Record Date of the Admitted Institutions (which list the holders of the ordinary shares who hold their ordinary shares in book-entry form), regardless of whether such persons are holders at the time of the extraordinary general meeting.

On the Record Date, there were 75,000,000 ordinary shares issued and outstanding; however, only the 60,000,000 Public Shares issued and outstanding on the Record Date are effectively entitled to vote on the Acquisition Proposal. Each ordinary share is entitled to one vote per share at the extraordinary general meeting. The holders of ordinary shares acquired in Liberty's initial public offering or afterwards (other than our Founders as described below) are free to vote such shares in their discretion. Our Founders have agreed to vote any ordinary shares acquired by them in the open market after Liberty's initial public offering in favor of the Acquisition Proposal. Liberty's issued and outstanding warrants do not have voting rights and record holders of Liberty warrants will not be entitled to vote at the extraordinary general meeting with respect to the warrants they hold.

Voting Your Shares

There are two ways to ensure the Public Shares recorded in your name in the records of the Admitted Institution are voted in accordance with your instructions at the extraordinary general meeting:

- you can vote by signing and returning the proxy card through your bank or broker (being or using an Admitted Institution). If you vote by proxy card, RBS will vote your shares as you instruct on the proxy card. If you sign and return the proxy card, but do not give instructions on how to vote your shares, your shares will be voted, as recommended by our board, "FOR" the approval of the Acquisition Proposal, each of the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal, the Incentive Plan Proposal and, if necessary, the Adjournment Proposal; or

- you can attend the extraordinary general meeting and vote in person. If you wish to attend the meeting, you must register before the Deadline, through your bank or broker, being or using an Admitted Institution. If you properly register before the Deadline and attend the extraordinary general meeting in person, RBS will provide you with a proxy necessary for you to vote your shares at the extraordinary general meeting in person in advance of, or at, the extraordinary general meeting. Once you have been provided with the proxy by RBS, you may cast your vote in respect of your shares at the extraordinary general meeting.

In either case your bank or broker (being or using an Admitted Institution) will need to confirm the number of ordinary shares that you own.

If you are a holder named in our Register of Members (which as of the Record Date consisted of the Founders and Euroclear Nederland), please complete and return the form of proxy card, in accordance with the instructions therein, which is being provided or made available to you with this proxy and consent solicitation statement.

Who Can Answer Your Questions About Voting Your Shares

If you have any questions about how to vote or direct a vote in respect of your shares, you may call your bank or broker or you may contact RBS, Gustav Mahlerlaan 10, 1082 PP, Amsterdam, the Netherlands (telephone number: +31 20 383 6707, fax number: +31 20 628 0004).

Revoking Your Proxy

You can revoke your proxy at any time prior to the Deadline. You may revoke your proxy by submitting another properly completed proxy card with a later date. Simply attending the extraordinary general meeting will not, by itself, revoke your proxy.

Quorum

Pursuant to the M&AA, a quorum of two shareholders present in person or by proxy is necessary to hold a valid general meeting with respect to the Acquisition Proposal. If there is no quorum, our chairman may adjourn the extraordinary general meeting to another date. If the Acquisition Proposal is approved, the remainder of the Proposals may also be considered at the extraordinary general meeting where a quorum of two shareholders is present in person or by proxy. If the Acquisition Proposal is not approved, the remainder of the Proposals will not be offered to the shareholders for approval (as such Proposals are conditional upon the Acquisition Proposal being approved), and a more stringent quorum requirement otherwise applicable to these Proposals if the Acquisition Proposal is not approved would be moot.

Additionally, if the Acquisition Proposal is approved but any of the other Proposals is not approved, we anticipate that the remainder of the Proposals will not be offered to the shareholders for approval. If any of the Proposals is not approved, we anticipate that we will not be able to consummate the Acquisition.

Vote Required

The approval of the Acquisition will require the affirmative vote of a majority of the outstanding Public Shares as of the Record Date so long as holders of not more than 30% of Liberty's Public Shares have voted against the Acquisition Proposal and properly elected to have Liberty redeem their shares for a *pro rata* portion of the funds held in the Trust Account. The affirmative vote of a majority of the Public Shares present at the extraordinary general meeting in person or by proxy and entitled to vote thereon is a requirement of our M&AA.

If, following the date of this proxy and consent solicitation statement, Liberty determines that the Acquisition Proposal may not receive sufficient votes at the extraordinary general meeting for the Acquisition to be consummated, Liberty, the Sellers and our Founders and/or their affiliates may enter into negotiations for one or more transactions with existing shareholders or other third parties that would be designed to incentivize shareholders who have indicated, or are believed to have indicated, an intention to vote against the Acquisition Proposal to either vote in favor of, or to sell their shares to one or more parties who would vote in favor of, the Acquisition Proposal. There can be no certainty that any such transactions would in fact be sought to be negotiated or, if negotiations are commenced, would be consummated. If any such transactions are consummated, such transactions will be notified and disclosed, if and when required in accordance with Dutch law.

If the Acquisition Proposal is approved by the requisite number of votes as described above, a special resolution passed by the affirmative vote of two-thirds of the ordinary shares issued and outstanding as of the Record Date, being entitled to vote and voting in person or by proxy, is required to approve each of the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal and the M&AA Amendment and Restatement Proposal. The approval of the Incentive Plan Proposal, the Share Repurchase Proposal and, if necessary, the Adjournment Proposal, will require the affirmative vote of a majority of the ordinary shares that are present in person or by proxy and entitled to vote at the extraordinary general meeting.

Non-Votes

If you do not vote, it will have the same effect as voting "AGAINST" the Acquisition Proposal (but you will not be eligible to have your shares redeemed for a *pro rata* portion of the funds held in Liberty's Trust Account), the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal and the M&AA Amendment and Restatement Proposal, but will have no effect on the Share Repurchase Proposal, the Incentive Plan Proposal or the Adjournment Proposal.

Redemption Rights

Any holder of Liberty Public Shares who votes against the Acquisition Proposal may, at the same time, elect to have Liberty redeem all (and not less than all) of its shares for a *pro rata* portion of the funds held in the Trust Account, calculated as of two business days prior to the consummation of the Acquisition. If you seek to exercise this redemption right:

- you must submit your vote against approval of the Acquisition Proposal;
- your bank or broker must, using or being an Admitted Institution, before the Deadline, of 3:00 p.m., Central European Time, on July 23, 2009 (or, if the extraordinary general meeting is adjourned, the business day prior to the date of the reconvened meeting) electronically transfer your shares to the Euroclear Nederland account of RBS, our transfer agent; and
- your bank or broker, being or using an Admitted Institution, must provide RBS with all necessary written instructions that you want to redeem your shares.

If your bank or broker (being or using an Admitted Institution) does not provide these documents to RBS, attention: AS Exchange Agency MF2020, at Kemelstede 2, 4817 ST. Breda, the Netherlands, fax: +31 10 264 4652, email: as.exchange.agency@nl.abnamro.com, before the Deadline, your shares will not be redeemed.

If you properly exercise your redemption rights and the Acquisition is consummated, your ordinary shares (provided they are still held in the Euroclear Nederland account of RBS at that time) will be cancelled and you will receive cash equal to a *pro rata* portion of the funds held in the Trust Account, calculated as of two business days prior to the consummation of the Acquisition. Based on the amount of cash held in the Trust Account as of June 1, 2009, without taking into account any interest accrued after such date, you will be entitled to elect to have Liberty redeem each ordinary share that you hold for approximately €9.93 per share. If the holders of 30% or more of the Public Shares vote against the Acquisition Proposal and properly elect to have Liberty redeem their shares for a *pro rata* portion of the funds held in the Trust Account, Liberty will not be able to consummate the Acquisition, regardless of whether a majority of the Public Shares present in person or by proxy and entitled to vote at the extraordinary general meeting vote in favor of the Acquisition Proposal. If the Acquisition is not consummated, Liberty will continue to search for a business combination and no shares will be redeemed. However, Liberty will be liquidated and dissolved if it does not consummate a business combination by February 13, 2010. In any liquidation, the net proceeds of our initial public offering held in the Trust Account will be distributed on a *pro rata* basis to the holders of ordinary shares who purchased their shares in Liberty's initial public offering or thereafter (other than our Founders).

Prior to exercising your redemption rights, you should verify the market price of our ordinary shares as you may receive higher proceeds from the sale of your ordinary shares in the public market than from exercising your redemption rights. Our ordinary shares are quoted on Euronext under the symbol "LIACS." We cannot assure Liberty shareholders that they will be able to sell their ordinary shares in the open market, even if the market price per share is higher than the redemption price stated above, as there may not be sufficient liquidity in Liberty's securities when its shareholders wish to sell their shares.

Appraisal or Dissenters Rights

No appraisal or dissenters' rights are available under Cayman Islands law for Liberty shareholders in connection with the Acquisition Proposal.

Solicitation Costs

We are soliciting proxies on behalf of our board of directors. This solicitation is being made by mail but also may be made by telephone or in person. Liberty and its officers and directors may also solicit proxies in person, by telephone or by other electronic means, and in the event of such solicitations, the information provided will be consistent with this proxy and consent solicitation statement and enclosed proxy card. These persons will not be paid for soliciting proxies. Liberty will ask banks, brokers and other institutions, nominees and fiduciaries to forward its proxy and consent solicitation statement materials to their clients and to obtain their authority to execute proxies and voting instructions. Liberty will reimburse them for their reasonable expenses.

Share Ownership

As of the Record Date, Liberty's Founders, including all its directors, and their respective affiliates who purchased or received ordinary shares prior to its initial public offering, beneficially own an aggregate of 20% of the outstanding ordinary shares. These are not Public Shares and, therefore, do not carry any voting rights in relation to the Acquisition Proposal. Our Founders have agreed to vote all shares acquired by them after the initial public offering, if any, in favor of the Acquisition Proposal.

THE WARRANT AMENDMENT

The approval of the Warrant Amendment and the taking of all actions necessary to complete the Mandatory Redemption are conditions to the obligation of the Sellers to consummate the Acquisition (which may be waived by Liberty and the Sellers in their sole discretion). If the Warrant Amendment is approved, Liberty intends to effect the Mandatory Redemption immediately upon the consummation of the Acquisition. Warrant holders' failure to deliver their consents in accordance with the procedures set forth in this section and the consent card within the specified timeframes could jeopardize the successful consummation of the Acquisition.

LIBERTY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT WARRANT HOLDERS CONSENT TO THE WARRANT AMENDMENT.

General

Liberty is seeking the consent of the holders of its Public Warrants to amend all of Liberty's outstanding warrants as follows:

- to cause the Mandatory Redemption, on a *pro rata* basis, of a total of approximately 41,500,000 of Liberty's outstanding warrants (30,000,000 Public Warrants, approximately 7,500,000 Founders' Warrants and 4,000,000 Sponsors' Warrants) immediately upon the consummation of the Acquisition in exchange for 4,000,000 newly issued ordinary shares (of which approximately 2,900,000 will be issued in respect of the Public Warrants and approximately 1,100,000 will be issued in respect of the Insider Warrants), at a ratio of one ordinary share for each 10.36705 warrants redeemed;
- to increase the exercise price of the Remaining Warrants from €7.00 to €11.00 and extend the expiration date from February 7, 2013 to the five-year anniversary of the closing date of the Acquisition;
- to amend the redemption provisions of the Remaining Warrants to permit Liberty to redeem such Remaining Warrants if our ordinary shares trade at or above €16.50 per share (from €13.75 per share) for 20 out of any 30 consecutive trading days; and
- to amend certain other provisions of the Remaining Warrants in connection with the transactions described herein.

The amendment of Liberty's Public Warrants requires the consent of the registered holders of a majority of Liberty's Public Warrants issued and outstanding as of the Record Date. The amendment of Liberty's Insider Warrants requires the consent of the registered holders of a majority of Liberty's Public Warrants and Insider Warrants issued and outstanding as of the Record Date, each voting as a separate class, and the approval of the independent members of the board of directors of Liberty. If the Warrant Amendment is approved and the Acquisition is consummated, the proposed amendments will become effective concurrently with the consummation of the Acquisition and will be binding on all warrant holders, including warrant holders that did not consent to the Warrant Amendment. Liberty intends to effect the Mandatory Redemption immediately upon the consummation of the Acquisition.

The holders of Liberty's Insider Warrants have already provided their written consent to the amendment of the Insider Warrant Agreement (including the terms of the Insider Warrants issued thereunder) and the independent members of the Liberty board of directors have approved the amendments.

Purpose of the Consent Solicitation

The approval of the Warrant Amendment and the taking of all actions necessary to complete the Mandatory Redemption are conditions to the obligation of the Sellers to consummate the Acquisition (which may be waived by Liberty and the Sellers in their sole discretion). The Sellers have required that Liberty complete the Mandatory Redemption in order to reduce the dilutive effect of Liberty's presently issued and outstanding warrants. In addition, the Sellers have required that Liberty otherwise amend the Remaining

Warrants so that, to the extent exercised, they will be accretive to Liberty's earnings following the consummation of the Acquisition.

Mandatory Redemption

Immediately prior to the Mandatory Redemption, we will cancel 63,600 warrants held by one of our Founders and initial directors who resigned on October 29, 2008.

If the Warrant Amendment is approved, then immediately upon the consummation of the Acquisition, 41,468,200 of Liberty's outstanding warrants (30,000,000 Public Warrants, 7,468,200 Founders' Warrants and 4,000,000 Sponsors' Warrants) will be mandatorily redeemed in exchange for 4,000,000 newly issued ordinary shares (of which approximately 2,900,000 will be issued in respect of the Public Warrants and approximately 1,100,000 will be issued in respect of the Insider Warrants), at a ratio of one ordinary share for each 10.36705 warrants redeemed. This will result in the redemption of 50% of the warrants held by each individual warrant holder (taking into account pending settlements for the account of such warrant holder, if any). For example, if on the date of the consummation of the Acquisition you hold warrants exercisable for 1,000,000 ordinary shares, warrants exercisable for 500,000 ordinary shares would be mandatorily redeemed immediately upon the consummation of the Acquisition. As a result, after the consummation of the Acquisition, you would hold warrants exercisable for 500,000 ordinary shares and would receive 48,229 ordinary shares pursuant to the Mandatory Redemption. Such ordinary shares will be credited to your securities account with your bank or broker via book-entry transfer. Ordinary shares received in connection with the Mandatory Redemption will be freely tradable.

IF THE WARRANT AMENDMENT IS APPROVED AND THE ACQUISITION IS CONSUMMATED, YOUR WARRANTS WILL BE SUBJECT TO THE MANDATORY REDEMPTION AND 50% OF YOUR WARRANTS WILL BE MANDATORILY REDEEMED ON THE DATE OF THE CONSUMMATION OF THE ACQUISITION WHETHER OR NOT YOU CONSENTED TO THE WARRANT AMENDMENT.

Completion of the Mandatory Redemption will not result in you holding any fractional warrants or receiving any fractional ordinary shares. Instead, Liberty will round down to the nearest whole warrant and to the nearest whole ordinary share, as the case may be, the total number of Remaining Warrants and ordinary shares to be received by you as a result of the Mandatory Redemption, and you will receive a cash payment in lieu of any ordinary shares to which you would otherwise be entitled as a result of the Mandatory Redemption.

Record Date

June 27, 2009 has been fixed by Liberty as the Record Date for the determination of warrant holders entitled to consent to the Warrant Amendment (as well as the Record Date for the determination of shareholders entitled to vote at the extraordinary general meeting). However, Liberty reserves the right to establish, from time to time, but in all cases prior to receipt of the requisite consents to approve the Warrant Amendment, any new date as such Record Date for the determination of warrant holders entitled to consent to the Warrant Amendment and, thereupon, any such new date will be deemed to be the Record Date for such purpose.

Proposed Amendments

If the Warrant Amendment is approved then, concurrently with the consummation of the Acquisition, each of the Public Warrant Agreement and the Insider Warrant Agreement will be amended and restated in its entirety in the forms attached hereto as *Annex I* and *Annex J*, respectively. In particular, the following amendments will be made:

- the Warrant Agreements will be amended and restated to cause the Mandatory Redemption, on a *pro rata* basis, of a total of approximately 41,500,000 of Liberty's outstanding warrants (30,000,000 Public Warrants and approximately 11,500,000 Insider Warrants) immediately upon the consummation of the

Acquisition in exchange for 4,000,000 newly issued ordinary shares (of which approximately 2,900,000 will be issued in respect of the Public Warrants and approximately 1,100,000 will be issued in respect of the Insider Warrants), at a ratio of one ordinary share for each 10.36705 warrants redeemed;

- all references to an exercise price of "€7.00" per ordinary share will be amended and restated to read "€11.00" per ordinary share;
- the expiration date of the Remaining Warrants will be extended from February 7, 2013 to the five-year anniversary of the closing date of the Acquisition;
- the redemption provisions set forth in the Warrant Agreements will all be amended and restated to permit Liberty to redeem the warrants if the shares issued in Liberty's initial public offering trade at or above €16.50 per share (from €13.75 per share) for 20 out of any 30 consecutive trading days; and
- in connection with the release by Citi of the transfer restrictions applicable to Liberty's Founders, the Remaining Warrants that are Insider Warrants will be amended to remove the transfer restrictions contained therein.

Required Consents

Public Warrants

Under Section 9.8 of the Public Warrant Agreement, the agreement may be amended to effect the proposed amendments only if Liberty obtains the consent of the registered holders of a majority of Liberty's outstanding Public Warrants and the independent members of the board of directors of Liberty approve the amendments, which approval has already been obtained. As of the Record Date, there were 60,000,000 outstanding Public Warrants and, therefore, the consent of holders of more than 30,000,000 Public Warrants is required to approve the amendment of the Public Warrant Agreement. If you do not instruct your broker or bank to deliver your consent, such failure will have the same effect as not consenting to the Warrant Amendment.

The proposed amendments to the Public Warrant Agreement will be effected by Liberty's execution and delivery of an Amended and Restated Warrant Agreement in the form attached hereto as *Annex I*, which will be executed by Liberty as soon as the required consents have been obtained and the Acquisition is consummated, or as soon as practicable thereafter.

Following the execution of the Amended and Restated Warrant Agreement, the proposed amendments will be binding on all holders of Public Warrants and their successors and transferees, whether or not such holders consented to the proposed amendments. If the consent solicitation is terminated for any reason before the expiration date, or if the Acquisition is not consummated for any reason, any consents received by RBS will be voided and the Amended and Restated Public Warrant Agreement will not be executed.

Insider Warrants

Under Section 8.10 of the Insider Warrant Agreement, the agreement may be amended to effect the proposed amendments only if Liberty obtains the consent of the registered holders of a majority of Liberty's outstanding Public Warrants and of Liberty's outstanding Insider Warrants, each voting as a separate class, and the independent members of the board of directors of Liberty approve the amendments. The holders of Liberty's Insider Warrants have already provided their written consent to the amendment of the Insider Warrant Agreement, and the independent directors of Liberty have approved the amendments. However, the consent of holders of more than 30,000,000 Public Warrants is still required to approve the amendment of the Insider Warrant Agreement. If you do not deliver a consent card in connection with the Warrant Amendment, or you do not instruct your broker or bank to deliver your consent, such failure will have the same effect as not consenting to the Warrant Amendment.

The proposed amendments to the Insider Warrant Agreement will be effected by Liberty's execution and delivery of an Amended and Restated Warrant Agreement in the form attached hereto as *Annex J*, which will

be executed by Liberty as soon as the required consents have been obtained and the Acquisition is consummated, or as soon as practicable thereafter.

Following the execution of the Amended and Restated Insider Warrant Agreement, the proposed amendments will be binding on all holders of Insider Warrants and their successors and transferees. If the consent solicitation is terminated for any reason before the expiration date, or if the Acquisition is not consummated for any reason, any consents received by RBS will be voided and the Amended and Restated Insider Warrant Agreement will not be executed.

Other Conditions to Warrant Amendment

Neither the Public Warrants nor the Insider Warrants will be amended unless the required consents described above are obtained.

Even if the required consents to approve the Warrant Amendment are obtained, if the Purchase Agreements are terminated in accordance with their terms or the consummation of the Acquisition does not occur on or prior to October 5, 2009 for any reason, the consent solicitation will terminate, all previously delivered consents will be voided and the Warrant Amendment will not become effective.

Procedures for Consenting

All of our Public Warrants are held in book-entry accounts of the Admitted Institutions. For purposes of the consent solicitation, the term "holder" shall also be deemed to include the owner holding warrants through the Admitted Institutions, which may be your bank or broker, not being an Admitted Institution.

HOLDERS WHO WISH TO CONSENT TO THE WARRANT AMENDMENT SHOULD, THROUGH THEIR BANK OR BROKER (BEING OR USING AN ADMITTED INSTITUTION), TRANSMIT THEIR CONSENT TO RBS IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH HEREIN AND IN THE CONSENT CARD.

Any beneficial owner whose warrants are held through a broker, dealer, commercial bank, trust company or other nominee not being an Admitted Institution and who wishes to consent to the Warrant Amendment should contact such institution to consent in accordance with the procedures set forth below.

In each case, Liberty will have the right to determine whether any purported consent satisfies the requirements of this proxy and consent solicitation statement and the relevant warrant agreement(s), and any such determination shall be final and binding on the holder who delivered such consent or purported consent. Any consents must be delivered to RBS prior to the expiration through an Admitted Institution.

Holders must consent either to all of the proposed amendments or to none of them. All consent cards that are properly completed, signed and delivered or otherwise properly transmitted to RBS prior to the expiration date (and accepted by Liberty as such) will be given effect in accordance with the specifications thereof.

The delivery of a consent to the proposed amendments will not affect a holder's right to sell or transfer any warrants, and a sale or transfer of warrants after the Record Date will not have the effect of revoking any consent theretofore validly given by the holder of such warrants. Therefore, each properly executed and delivered consent will be counted notwithstanding any sale or transfer of the warrants to which such consent relates. If you do not instruct your broker or bank to deliver your consent, such failure will have the same effect as not consenting to the Warrant Amendment.

All questions as to the validity, eligibility (including time of receipt) and acceptance of a consent card will be resolved by Liberty, in its sole discretion, which resolution shall be final and binding. Liberty reserves the right to reject any and all consents not validly given or any consents Liberty's acceptance of which could, in the opinion of Liberty or its counsel, be unlawful. Liberty also reserves the right to waive any defects or irregularities in the delivery of a consent card or modify the conditions to the consent solicitation (subject to any requirement to extend the expiration). The interpretation by Liberty of the terms and conditions of the consent solicitation (including the consent card and the instructions thereto) shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of consents must be cured

within such time as Liberty shall determine. None of Liberty, the Warrant Agent, RBS or any other person shall be under any duty to give notification of defects, irregularities or waivers with respect to deliveries of consents, nor shall any of them incur any liability for failure to give such notification.

Expiration; Extensions; Amendment

Consent cards must be received by RBS no later than 3:00 p.m., Central European Time, on July 23, 2009, unless Liberty, in its sole discretion, extends the period during which the consent solicitation is open. In order to extend the expiration date by which consent cards must be received by RBS, Liberty shall notify RBS of the extension by oral or written notice and will make a public announcement thereof, each at or prior to 9:00 a.m., Central European Time, on the next business day after the previously scheduled expiration. Such announcement may state that Liberty is extending the consent solicitation for a specified period of time or on a daily basis. Failure of any holder or beneficial owner of warrants to be so notified will not affect the effectiveness of an extension of the consent solicitation.

Notwithstanding anything to the contrary set forth in this proxy and consent solicitation statement, Liberty reserves the right, in its sole discretion, at any time prior to the effectiveness of the Warrant Amendment, to (i) terminate the consent solicitation for any reason, (ii) extend the expiration date by which consents must be received by RBS or (iii) amend the terms of the consent solicitation. If the terms of the consent solicitation are amended in any material manner, or Liberty waives or modifies any material conditions to the consent solicitation, Liberty will promptly disclose such amendment, waiver or modification in a public announcement, and Liberty may, if determined by Liberty to be appropriate, extend the consent solicitation for a period deemed by Liberty to be adequate to permit holders to deliver or revoke their consents.

Without limiting the manner in which Liberty may choose to make a public announcement of any extension, amendment or termination of the consent solicitation, Liberty shall have no obligation to publish, advertise, or otherwise communicate any such public announcement, other than by making a timely press release and complying with any applicable notice provisions of the Warrant Agreements.

Revocation of Consents

Once delivered, consents may not be revoked for any reason, and shall bind the holder and every subsequent holder of such warrants, even if a notation of the consent is not made on any such warrants.

No Payment of Exercise Price

Consenting warrant holders will not be required to pay an exercise price in connection with the Mandatory Redemption or otherwise in connection with the Warrant Amendment. Ordinary shares received in connection with the Mandatory Redemption will be freely tradeable.

Certain Tax Considerations

Subject to the PFIC and CFC rules discussed below, although the issue is unclear, the exchange of warrants for Liberty ordinary shares may be tax-free as a recapitalization for U.S. federal income tax purposes. Under this treatment, the U.S. federal income tax consequences of the exchange should be generally that the exchange should not result in the recognition of gain or loss by a U.S. holder, the basis in an ordinary share that you would receive in such exchange should equal your basis in the warrants exchanged for the share, and the holding period for the ordinary share would include your holding period for the warrants surrendered for the share in the exchange.

It is also possible, however, that such exchange could be treated as a cashless exercise of the warrants. See "The Exercise Proposal — U.S. Federal Income Tax Consequences — Exercise, Lapse or Disposition of a Warrant."

It is also possible that the ordinary shares received by a U.S. holder could result in a constructive distribution under Section 305 of the U.S. Tax Code. However, the Treasury regulations provide, that only those recapitalizations that are pursuant to a plan to periodically increase a shareholder's proportionate interest

in the assets or earnings of a corporation will be deemed to result in a distribution under Section 305(c) of the U.S. Tax Code and, therefore, the constructive distribution rules of Section 305 of the U.S. Tax Code may not apply.

In addition, the change in the terms of the warrants that are not mandatorily redeemed may also be treated as an exchange of an existing warrant for an amended warrant that will constitute a recapitalization for U.S. federal income tax purposes. In that case the exchange should not result in the recognition of gain or loss by a U.S. holder and the U.S. holder's holding period for such amended warrant would include its holding period for the warrant surrendered in the exchange.

Accounting Treatment

On conversion, the exercise price of the Remaining Warrants will be increased from €7 to €11. As the terms and conditions of the Remaining Warrants will have been modified before they vest, this will change the fair value of the grant of the warrant. It is expected that the increase in exercise price will decrease the fair value of the grant, and therefore there will be no impact on the original accounting of the warrants under IFRS 2, *Share-based Payment*. In addition, the conversion has no impact on the share capital or share premium as there is no additional consideration on conversion.

Certain Legal and Regulatory Matters

Except as set forth in this proxy and consent solicitation statement, we are not aware of any material filing, approval or other action by or with any governmental authority or administrative or regulatory agency that would be required for our consummation of the consent solicitation.

Appraisal or Dissenters Rights

You will not have appraisal or dissenters' rights in connection with the consent solicitation or the Mandatory Redemption.

Use of Proceeds

We will not receive any cash proceeds from the issuance of the ordinary shares offered in connection with the Mandatory Redemption. If the Warrant Amendment is approved and the Mandatory Redemption is consummated, upon exercise of all of the Remaining Warrants, Liberty would receive aggregate cash proceeds of approximately €456.5 million.

Consequences of Failure to Consent

The approval of the Warrant Amendment and the taking of all actions necessary to complete the Mandatory Redemption are conditions to the obligation of the Sellers to consummate the Acquisition. Warrant holders' failure to deliver their consents in accordance with the procedures set forth in this proxy and consent solicitation statement within the specified timeframes could jeopardize the successful consummation of the Acquisition.

Your participation in the consent solicitation is voluntary, and you should carefully consider whether to participate. We urge you to consult your financial and tax advisors in making a decision whether or not to participate in the consent solicitation. Please see "— Certain Tax Considerations" above.

Registrar, Exchange, Tabulation, Paying and Listing Agent

We have appointed RBS as the registrar, exchange, tabulation, paying and listing agent in connection with the matters described in this proxy and consent solicitation statement. You should direct questions and requests for assistance, requests for additional copies of this proxy and consent solicitation statement or of the consent card, and deliver all executed consent cards to your bank or broker or RBS through your bank or broker, being or using an Admitted Institution.

NEITHER LIBERTY NOR THE PEARL GROUP HAS AUTHORIZED ANY PERSON (INCLUDING RBS) TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE CONSENT SOLICITATION OTHER THAN AS SET FORTH HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY LIBERTY, THE PEARL GROUP, RBS OR ANY OTHER PERSON.

Requests for assistance in filling out and delivering consent cards or for additional copies of this proxy and consent solicitation statement may be directed to RBS at its addresses and telephone numbers set forth below:

RBS
Equity Capital Markets/Corporate Actions HQ3130
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
Tel: +31 20 383 6707
Fax: +31 20 628 0004
Email: corporate.actions@rbs.com

Fees and Expenses

Other than RBS, we have not retained any solicitation agent or dealer-manager in connection with the consent solicitation and will not make any payments to brokers, dealers or others soliciting the delivery of consents. Liberty has agreed to pay RBS a fee of approximately €32,500, and a variable fee depending on the number of payments, transfers and proxies, for its services provided in connection with matters described in this proxy and consent solicitation statement and reimburse RBS for its reasonable out-of-pocket expenses, including the fees and expenses of its counsel. Liberty has also agreed to indemnify RBS against certain liabilities and expenses. In addition, Liberty will pay RBS other reasonable and customary compensation for other administrative services that RBS is providing to Liberty in connection with the matters described in this proxy and consent solicitation statement. All other fees and expenses attributable to the consent solicitation, including, but not limited to accounting and legal fees and printing expenses, other than expenses incurred by holders or beneficial owners of warrants, will be paid by Liberty.

The consent solicitation is not being made to, and deliveries of consents will not be accepted from or on behalf of, holders in any jurisdiction in which the making of the consent solicitation or the acceptance thereof would not be in compliance with the laws of such jurisdiction. However, Liberty may, in its discretion, take such action as it may deem necessary to lawfully make the consent solicitation in any such jurisdiction and to extend the consent solicitation to holders in such jurisdiction.

THE ACQUISITION PROPOSAL

General

Pursuant to the Purchase Agreements, Liberty is proposing to acquire all of the outstanding equity interests of the Acquired Companies. As a result of the Acquisition, Liberty will be the ultimate holding company of the Pearl Group and Opal Re.

The Pearl Group currently derives its revenues and cashflows from interest income earned on policyholder assets, the release of surplus capital from life companies and investment management fees earned on assets under management in the group's asset management business. If the Acquisition is consummated, Liberty's shareholders will not become investors in the assets managed by the Pearl Group, but rather will become shareholders of a closed fund consolidator that will be named Pearl Group.

In 2007, the Pearl Group reinsured the immediate annuity liabilities held within shareholder owned funds of its life companies, Pearl Assurance, NPI and London Life with Opal Re. Opal Re is a Bermuda reinsurance company that is currently outside the Pearl Group but connected to the group by virtue of common shareholders. O-Re Holdings UK Limited also currently has a direct interest of 42.8% in Axial. In connection with the proposed Acquisition, Opal Re will become a wholly-owned subsidiary of Liberty, and Axial will become a wholly-owned subsidiary of Pearl following the sale of the equity interests not already held by Pearl to it for nominal consideration immediately prior to the consummation of the Acquisition pursuant to the terms of the Opal Re Purchase Agreement.

Liberty believes that the terms of the Acquisition and the related transactions contemplated by the Purchase Agreements comply with the terms described in the prospectus relating to Liberty's initial public offering.

Consideration

In connection with the Acquisition and the debt restructuring, Liberty will issue:

- to the Sellers, (i) at the closing of the Acquisition, 38,900,000 Class B ordinary shares and (ii) following the closing, up to an additional 26,500,000 ordinary shares under certain circumstances as described herein;
- to the Lenders, (i) at the closing, 3,500,000 ordinary shares (freely tradeable) and 4,190,000 Class B ordinary shares, warrants to purchase 5,000,000 Class B ordinary shares and loan notes in the original principal amount of £75.0 million in the aggregate (to be issued by two Liberty subsidiaries) and (ii) following the closing, up to an additional 8,500,000 ordinary shares under certain circumstances as described herein;
- to Royal London, 6,180,000 Class B ordinary shares and warrants to purchase 12,360,000 Class B ordinary shares; and
- to certain other parties, an aggregate of 1,500,000 Class B ordinary shares (including 500,000 Class B ordinary shares to be issued to management pursuant to the Pearl Group Purchase Agreement and subject to the terms of the BSP).

The consideration received by the Sellers, the Lenders and Royal London will represent approximately 29.4%, 5.8% and 4.7%, respectively, of Liberty's outstanding shares immediately following the Acquisition. On a fully diluted basis (including the issuance of all conditional shares issuable under the Contingent Consideration Agreement and the Contingent Fee Agreement), the consideration received by the Sellers, the Lenders and Royal London will respectively represent approximately 28.4%, 9.2% and 8.1%, respectively, of Liberty's outstanding shares.

Liberty has agreed to provide not less than £450 million of additional capital (including the funds remaining in the Trust Account after Liberty redeems any Public Shares held by persons who properly exercise

their redemption rights, pays the deferred underwriting discounts and commissions from Liberty's initial public offering and pays expenses associated with Liberty's operations and the Acquisition) to the Pearl Group.

Based on the closing sale price of the ordinary shares on the trading day preceding the Record Date (which is June 27, 2009) of €9.70 per share, the aggregate value of the Shares:

- issuable to the Sellers and the Selling Shareholders (assuming the issuance of the maximum number of contingent shares to which these holders may be entitled) will be approximately €634.4 million;
- issuable to the Lenders (assuming the exercise in full by the Lenders of the Lenders Warrants and the issuance of the maximum number of contingent shares to which the Lenders may be entitled) will be approximately €205.5 million;
- issuable to Royal London (assuming the exercise in full by Royal London of the Royal London Warrants) will be approximately €179.8 million;
- issuable to the Liberty Sponsors (or such third parties as they may designate) will be approximately €9.7 million; and
- issuable to certain management members will be approximately €4.85 million.

Liberty and Pearl estimate that they will incur direct restructuring and transaction costs of approximately £70.0 million associated with the Acquisition, which will be included as a part of the total purchase cost for accounting purposes if the Acquisition is completed.

Management Following the Acquisition

Upon the consummation of the Acquisition, Liberty will change its name to "Pearl Group," our existing directors will resign and the size of our board will be increased to up to 15 members, including the following persons: Ian Ashken, Rene Pierre Azria, David Barnes, Ian Cormack, Manjit Dale, Jonathan Evans, Jonathan Moss, Hugh Osmond and Simon Smith. Prior to the consummation of the Acquisition, or as soon as practicable thereafter, we intend to identify and appoint that number of additional directors as is necessary for us to have not less than half of the board of directors of Liberty comprising independent directors. Jonathan Moss will become our chief executive officer and Simon Smith will become our finance director.

Structure of the Pearl Group Upon the Consummation of the Acquisition

Following the consummation of the Acquisition, Liberty will be renamed "Pearl Group" and will be a holding company, and all of the Pearl Group's operations will continue to be conducted by, and all of the Pearl Group's assets which constituted the Pearl Group business prior to the Acquisition will continue to be held by, the Acquired Companies. This includes all assets, properties and liabilities of the Pearl Group and the business. No portion of the Pearl Group's business reflected in its consolidated historical financial statements as of and for the year ended December 31, 2008 will be excluded from the Acquisition.

The consummation of the Acquisition and the related transactions will have a substantial dilutive effect on the current holders of ordinary shares. Current shareholders of Liberty will be reduced from owning 100% of the currently outstanding voting shares of Liberty to owning approximately 52.3% of its ordinary shares on a fully-converted and fully-diluted basis.

Controlled Foreign Corporation

For information regarding certain U.S. tax risks were we to be or to become a CFC, see "Risk Factors — Risks Related to U.S. Federal Income Taxation — U.S. persons who own 100% or more of our ordinary shares (or that qualify as RP II shareholders) may be subject to adverse tax consequences under the foreign corporation rules."

Passive Foreign Investment Company

For information regarding certain U.S. tax risks were we to be or become a PFIC, see "Risk Factors — Risks Related to U.S. Federal Income Taxation — we may be a passive foreign investment company, which could lead to additional taxes for U.S. holders of our shares or warrants."

Background of the Acquisition

Following the technical breach of the IGD solvency requirement in November 2008, the Pearl Group's shareholders and management, in consultation with the FSA, determined that it would be appropriate to seek an investment from a third party in order to provide more capital to the group.

On January 20, 2009, Nicolas Berggruen received a memorandum from Edward Spencer-Churchill describing the potential terms of a possible business combination transaction between Pearl Group and Liberty. Mr. Berggruen had previously considered investing in the original acquisition of HHG PLC's closed life companies by TDR Capital and Sun Capital that was completed in April 2005 and led to the formation of Pearl. Although ultimately these discussions did not result in an investment by Mr. Berggruen at that time, Messrs. Spencer- Churchill and Berggruen had subsequently continued their dialogue about the Pearl Group as well as other potential investments.

On February 2, 2009, Martin Franklin, chairman of Liberty's board of directors, met with principals of Sun Capital and representatives of Pearl Group in London and was provided with a Pearl Group management presentation.

On February 4, 2009, Liberty and Pearl entered into a mutual non-disclosure agreement.

On February 5, 2009, representatives of Liberty and its financial adviser participated in a conference call with principals of Sun Capital during which the preliminary structure and terms of a transaction were initially discussed.

On February 6, 2009, representatives of Liberty's financial adviser participated in a conference call with representatives of Pearl Group to review the Pearl Group management presentation previously provided to Mr. Franklin.

On February 8, 2009, Liberty delivered a preliminary term sheet to Sun Capital outlining the preliminary structure and proposed terms of the proposed transaction.

On February 9, 2009, representatives of Liberty's financial adviser participated in a conference call with representatives of the Pearl Group to discuss the Pearl Group's cash flow projections.

On February 10, 2009, representatives of Liberty's financial adviser participated in a conference call with representatives of Sun Capital to discuss the valuation of the Pearl Group.

On February 11, 2009, representatives of Liberty's financial adviser participated in a conference call with representatives of the Pearl Group to obtain further information from the Pearl Group.

On February 11, 2009, Mr. Franklin and another representative of Liberty had a conference call with Mr. Spencer-Churchill to discuss certain of the proposed terms of the transaction.

On February 12, 2009, Liberty delivered a revised term sheet to Sun Capital reflecting certain changes discussed during the previous day's conference call.

On February 13, 2009, Liberty, Xercise Limited and Jambright Limited executed a non-binding term sheet pursuant to which Liberty would acquire all of the outstanding equity interests of the Acquired Companies held indirectly by Xercise Limited and Jambright Limited.

On February 14, 2009, the Pearl Group provided Liberty with further information on the Pearl Group, including a cash flow projections report prepared by KPMG.

On February 16, 2009, Liberty's legal counsel provided to the Sellers' legal counsel a draft purchase agreement.

On February 19, 2009, representatives of Liberty and its financial adviser met with principals of Sun Capital in London to discuss the proposed terms of, and process and timing issues in connection with, a possible transaction. At the conclusion of that meeting, the parties were joined by their respective legal counsels to discuss more specific structure and timing issues.

From February 19 through February 24, 2009, legal counsel to Liberty and the Sellers exchanged drafts and negotiated the terms of a purchase agreement.

On February 20, 2009, representatives of Liberty and its financial adviser met with principals of TDR Capital in London.

On February 20, 2009, representatives of Liberty and its financial adviser met with representatives of the Pearl Group in London, during which the Liberty representatives reviewed a Pearl Group management presentation.

On February 24, 2009, Liberty, Xercise Limited and Jambright Limited executed a non-binding letter agreement describing a principle agreement on the form of a purchase agreement to be subsequently executed, which was attached to the letter agreement, subject to confirmatory due diligence, certain debt restructuring matters, pensions arrangements and the position of Royal London as a creditor being resolved in a manner mutually satisfactory to Liberty and the Sellers (in each case in their sole discretion) and the purchase agreement and transaction having been approved by Liberty's board of directors.

On March 6, 2009, representatives of Liberty and its financial adviser participated in a conference call with principals of Sun Capital and TDR Capital during which Sun Capital and TDR Capital provided an update on certain matters concerning the proposed transaction.

On March 18, 2009, Mr. Franklin met with principals of Sun Capital and TDR Capital, representatives of the Lenders and representatives of the FSA in London.

From March 30, 2009 through April 1, 2009, representatives of Liberty and its financial adviser, the Pearl Group, Sun Capital, TDR Capital, and each of their respective legal counsels met with KPMG in London to discuss, among other things, the proposed terms of the transaction and to participate in a drafting session with respect to this proxy and consent solicitation statement.

On March 31, 2009 and April 1, 2009, representatives of Liberty and its financial adviser met with principals of Sun Capital and TDR Capital to discuss various matters regarding the proposed transaction.

On April 6, 2009, Mr. Franklin sent a letter to a senior director at The Royal Bank of Scotland outlining the terms of a revised proposal.

On May 13, 2009, a representative of Liberty and its financial adviser and the principals of Sun Capital and TDR Capital met with the Lenders' steering committee, the steering committee's legal counsel and the steering committee's financial adviser in London to discuss the revised terms of the proposed transaction.

On May 13, 2009, a representative of Liberty and its financial adviser and the principals of Sun Capital met with the non-executive board members of the Pearl Group, non-executive board members of NPI and the Pearl Group's financial adviser.

On May 14, 2009, Liberty delivered a letter to Lloyds TSB, as representative of the Lenders, outlining the terms of a revised proposal.

On May 18, 2009, Lloyds TSB, as representative of the Lenders, delivered a letter responding to Liberty's proposal requesting certain revisions.

On May 19, 2009, Liberty delivered a letter to Lloyds TSB clarifying Liberty's revised proposal and agreeing to certain revisions.

On June 1, 2009, principals and representatives of Liberty, its financial adviser and legal counsel met with principals of Sun Capital, principals of TDR Capital and representatives of the Pearl Group in London to discuss transaction terms and process and timing issues in connection with the proposed transaction.

On June 1, 2009, a representative of Liberty met with representatives of the FSA in London to discuss the proposed transaction.

On June 1, 2009, representatives of Liberty and its financial adviser, together with principals of Sun Capital and TDR Capital, met with the steering committee of the Lenders to continue negotiations regarding the proposed transaction.

From June 1, 2009 through June 27, 2009, representatives of Liberty, its financial adviser and legal counsel met in London with the Pearl Group and its legal counsel to continue negotiations and the drafting of the Purchase Agreements, all agreements related to the Acquisition, the proxy and consent solicitation statement and other related transaction documents.

On June 2, 2009, principals of Sun Capital and TDR Capital met with the steering committee of the Lenders to continue negotiations regarding the proposed transaction.

On June 3, 2009, Liberty entered into exclusivity agreements with Pearl and separately with Xercise Limited, Jambright Limited and the Pearl and Impala Borrowers.

On June 3, 2009, an all-hands meeting was convened at the offices of TDR Capital in London to discuss timetable, process and progress made on the various open transaction items.

From time to time during the week of June 1, 2009, representatives of Liberty and its financial adviser updated the FSA on the progress of negotiations with Sun Capital, TDR Capital, the Lenders, Royal London and the Pearl Group pension trustees.

On June 4, 2009, Liberty distributed to its board of directors materials that included, among other things, a description of the terms of the proposed transaction.

On June 8, 2009, Liberty convened a meeting of its board of directors to discuss the signing of the heads of terms for the proposed transaction.

On June 8, 2009, Liberty's board of directors held a meeting during which Mr. Franklin updated the board of directors on the status of the proposed transaction. In addition, legal counsel for Liberty gave a detailed presentation of the terms of the proposed transaction, transaction documents and a summary of the due diligence of the Pearl Group undertaken by legal counsel.

On June 17, 2009, Liberty's board of directors held a meeting during which Mr. Franklin updated the board of directors on the status of the proposed transaction and stated that negotiations were substantially complete. Legal counsel for Liberty then reviewed the latest changes to the terms of the proposed transaction. Liberty's board of directors, by a unanimous vote, subject to the satisfactory negotiation of certain remaining material issues, approved and declared advisable the Purchase Agreements, the Share Repurchase Proposal, the debt restructuring and relating transactions, subject to any changes approved by Liberty's officers, and resolved to recommend that Liberty's shareholders vote in favor of the proposals at an extraordinary general meeting to be held to vote on the proposals.

Representatives of Liberty, its financial adviser and legal counsel and representatives of the Pearl Group and its legal counsel, then continued to negotiate and finalize the remaining issues in the Purchase Agreements and related transaction documents. On June 27, 2009, the Purchase Agreements and related transaction documents, including the agreements related to the Acquisition, were completed and executed by the parties thereto. Prior to the opening of the financial markets in Amsterdam on June 29, 2009, the Pearl Group and Liberty issued a joint press release announcing the transaction.

On July 2, 2009, Liberty's board of directors held a meeting during which Mr. Franklin updated Liberty's legal counsel and the board of directors on the status of the transaction. Liberty's board of directors, by a unanimous vote, approved and declared advisable each of the proposals set forth in this proxy and consent solicitation statement and voted to recommend to the shareholders that they vote "FOR" each of the proposals set forth in this proxy statement as well as ratified certain matters ancillary to the Acquisition and documents effecting such matters. In addition, the board of directors approved the publication of this proxy and consent solicitation statement and set the date for the extraordinary general meeting.

Interests of Liberty Directors and Officers in the Acquisition

In considering the recommendation of Liberty's board of directors to vote "FOR" the Acquisition Proposal, you should be aware that all of the members of Liberty's board of directors have agreements or arrangements that provide them with interests in the Acquisition that differ from, or are in addition to, those of Liberty shareholders generally. In particular:

- if the Acquisition is not approved and Liberty fails to consummate an alternative transaction by February 13, 2010, the Founders Shares and Founders Warrants will be worthless because Liberty's Founders are not entitled to receive any of the net proceeds of Liberty's initial public offering that may be distributed upon liquidation of Liberty. Liberty's Founders beneficially own a total of 15,000,000 ordinary shares that had a market value of €145.5 million based on Liberty's share price of €9.70 as of the Record Date, and 15,000,000 warrants that had a market value of €10.5 million, based on Liberty's warrant price of €0.70 as of the Record Date, Liberty's Founders also beneficially own warrants to purchase 8,000,000 ordinary shares that had a market value of €5.6 million based on Liberty's warrant price of €0.70 as of the Record Date; and
- it is currently anticipated that none of our current directors will continue as directors of Liberty.

In addition, Liberty's sponsors, directors and officers may make additional open market purchases of ordinary shares or warrants prior to the extraordinary general meeting. Although such ordinary shares will not be subject to any voting restrictions applicable to Liberty's sponsors, directors or officers, those entities and individuals have advised us that they intend to vote all ordinary shares with the right to vote at the extraordinary general meeting in favor of the Acquisition Proposal and the other Proposals described in this proxy and consent solicitation statement.

Interests of Shareholders of the Acquired Companies in the Acquisition

You should understand that some of the Sellers have interests in the acquisition that are different from, or in addition to, your interests as a shareholder. In particular, Hugh Osmond and Manjit Dale are expected to become members of our board of directors; Jonathan Moss is expected to become our chief executive officer; and Simon Smith is expected to become our finance director.

As of the date of this proxy and consent solicitation statement, the Sellers do not own any Liberty ordinary shares or warrants. The Sellers may make open market purchases of ordinary shares or warrants prior to the extraordinary general meeting. The Sellers may make open market purchases of ordinary shares or warrants prior to the extraordinary general meeting. Because any such purchases would occur after the Record Date, the Sellers would not have the right to vote any of such shares at the extraordinary general meeting. However, in such event the Sellers may seek to cause the transferors of such shares to vote "FOR" the approval of the Proposals. In addition, the Pearl Sellers have agreed to enter into agreements not to compete with Liberty for a period of one year following the closing of the Acquisition.

Liberty's Reasons for the Acquisition

In our offering material related to our initial public offering in January 2008, we identified the following criteria and guidelines that we believed would be important in evaluating prospective target businesses. They included:

- established companies with proven track records;
- companies with strong free cash flow characteristics;
- strong competitive industry position;
- experienced management team; and
- diversified customer and supplier base.

We believe that the Pearl Group falls squarely within all of the parameters relating to the type of target business that Liberty is seeking.

Established company with proven track record

We believe that the Pearl Group is a strong organization with a proven track record. It has sound historical performance and a history of strong operating and financial results. We believe its current financial stress relate mostly to exigent market factors and the regulatory response thereto not reflective of a weak core business.

Companies with strong free flow cash characteristics

We believe that the Pearl Group's closed life fund consolidator model is well proven, with strong and resilient cash flows, which are greater than profits, as the Pearl Group releases regulatory capital with the run-off of policies in its closed funds.

Strong competitive industry position

We have sought to acquire businesses that operate within industries that have strong fundamentals and within those industries particular businesses with leading market position. We believe that the Pearl Group is one of the leading players in its market and, once the Acquisition is consummated, will be positioned for continued expansion and growth.

Experienced management team

We have sought to acquire businesses with strong experienced management teams. We believe that the Pearl Group has a strong experienced management team with a proven track record of driving income growth and enhancing profitability and generating strong free cash flow.

Diversified customer and supplier base

We have sought to acquire businesses that have a diversified customer and supplier base, in the belief that companies with a diversified customer and supplier base are generally able to direct economic downturns, industry consolidation, changing business preferences and other factors that may negatively impact their customers, suppliers, and competitors. The Pearl Group's policyholder base is broad and diversified, and the Pearl Group has a diversified base of suppliers.

U.S. Federal Income Tax Consequences

The following general discussion summarizes certain material U.S. federal income tax consequences to U.S. holders of the holding and the disposition of ordinary shares and warrants, which we refer to collectively as our "securities." This discussion is based on current provisions of the U.S. Tax Code, its legislative history, applicable current and proposed Treasury regulations promulgated thereunder, administrative rulings, notices and announcements and judicial decisions, all in effect as of the date hereof, all of which are subject to change, possibly on a retroactive basis. For purposes of this discussion, a U.S. holder is a beneficial owner of ordinary shares or warrants that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxed as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more "United States persons" (within the meaning of the U.S. Tax

Code) have the authority to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable Treasury regulations to be treated as a "United States person."

This summary does not purport to be a comprehensive description of all of the tax consequences that may be relevant to the holding and disposition of securities and, for the sake of clarity, is not intended to discuss any of the tax consequences that may be relevant to the Acquisition. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder based on such holder's individual circumstances. In particular, this discussion considers only U.S. holders that hold securities as capital assets and does not address the potential application of the alternative minimum tax or the U.S. federal income tax consequences to U.S. holders that are subject to special treatment, including:

- broker-dealers;
- insurance companies;
- taxpayers who have elected mark-to-market accounting;
- tax-exempt organizations;
- regulated investment companies;
- financial institutions or "financial services entities";
- taxpayers who hold shares or warrants as part of a straddle, hedge, conversion transaction or other integrated transaction;
- certain expatriates or former long-term residents of the United States; and
- taxpayers whose functional currency is not the U.S. Dollar.

This discussion does not address any aspect of U.S. federal gift or estate tax, or state, local or non-U.S. tax laws. Additionally, the discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold shares or warrants through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of shares or warrants, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership.

This section is not a substitute for careful tax planning. U.S. holders of our securities are urged to consult their own tax advisers regarding the specific federal, state, local, foreign and other tax consequences to them, in light of their own particular circumstances, of the Acquisition, holding and disposing of securities and the exchange of warrants and the effect of potential changes in applicable tax laws.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, LIBERTY'S SHAREHOLDERS AND WARRANT HOLDERS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS PROXY AND CONSENT SOLICITATION STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY LIBERTY'S SHAREHOLDERS AND WARRANT HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. FEDERAL TAX LAWS; (II) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (III) LIBERTY'S SHAREHOLDERS AND WARRANT HOLDERS SHOULD SEEK ADVICE BASED ON THEIR OWN PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Taxation of Shares and Warrants Generally

We treat our ordinary shares as equity for U.S. federal income tax purposes. The IRS may not agree with our treatment of the ordinary shares or any of the discussion below. Accordingly shareholders are urged to consult their tax advisers regarding the U.S. federal tax consequences of the Acquisition and of holding and disposing of ordinary shares and warrants and with respect to any tax consequences arising under the tax laws of any state, local or foreign jurisdiction.

Taxation of Dividends Paid on Shares

In the event we pay a dividend, subject to the PFIC and CFC rules discussed below, a U.S. holder will be required to include in gross income as ordinary income the amount of any distribution paid on such holder's ordinary shares to the extent the distribution is paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Distributions in excess of such earnings and profits will be applied against and will reduce the U.S. holder's basis in the ordinary shares and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of ordinary shares as described under "— Taxation of the Disposition of Shares."

In the case of a U.S. holder that is a corporation for federal income tax purposes, a dividend from us will generally be taxable at regular corporate rates of up to 35% and generally will not qualify for a dividends received deduction. A U.S. holder that is a corporation and that owns 10% of our voting shares may be entitled to claim the foreign tax credit for foreign taxes paid by us or certain subsidiaries, subject to complex limitations generally applicable to the foreign tax credit. We have not yet determined whether we will maintain the information necessary for such holders to claim the foreign tax credit. In the case of non-corporate U.S. holders, dividends are generally subject to tax at ordinary income rates of up to 35% for tax years beginning before January 1, 2011. Dividends from certain foreign corporations which are eligible for benefits of a comprehensive income tax treaty with the United States or the shares of which are readily tradable on an established securities market in the United States may be taxed as net capital gain at a rate of 15% or lower if distributed before January 1, 2011. The Cayman Islands does not have such a treaty with the United States, and our shares are not are readily tradable on an established securities market in the United States. Consequently, our dividends will not be eligible for this lower rate and will be taxed at the normal rates for ordinary income.

Distributions of current or accumulated earnings and profits paid in a non-U.S. currency to a U.S. holder will be includible in the income of a U.S. holder in a U.S. Dollar amount calculated by reference to the exchange rate on the day the distribution actually or constructively is received. A U.S. holder that receives a non-U.S. currency distribution will have a tax basis in the amount so received equal to the U.S. Dollar value of such amount on the day actually or constructively received. A U.S. holder that receives a non-U.S. currency distribution and converts the non-U.S. currency into U.S. Dollars on the date of receipt will realize no foreign currency gain or loss. If the U.S. holder converts the non-U.S. currency to U.S. Dollars on a date subsequent to receipt, such U.S. holder will have foreign exchange gain or loss which will generally be U.S. source ordinary income or loss based on any appreciation or depreciation in the value of the non-U.S. currency against the U.S. Dollar from the date of receipt to the date of conversion.

Taxation of the Disposition of Shares

Subject to the PFIC and CFC rules discussed below, upon the sale, exchange or other taxable disposition (which would include a liquidation of Liberty in the event we do not consummate a business combination within the required timeframe) of ordinary shares, a U.S. holder will generally recognize capital gain or loss in an amount equal to the difference between the amount realized from the sale, exchange or other taxable disposition and such U.S. holder's tax basis in such ordinary shares. A U.S. holder's basis in its ordinary shares is usually the cost of such shares. See "— Exercise, Lapse or Disposition of the Warrant" below for a discussion regarding a U.S. holder's basis in shares acquired pursuant to the exercise of a warrant and "— Redemption of Warrants; Amended Warrants" for a discussion regarding a U.S. holder's basis in shares acquired pursuant to a redemption.

Capital gain or loss from the taxable sale, exchange or other disposition of ordinary shares held for more than one year is long-term capital gain or loss, and long-term capital gain is eligible for a reduced rate of taxation for non-corporate taxpayers. Long-term capital gains recognized by certain non-corporate holders is generally eligible for a reduced rate of taxation, and if recognized before January 1, 2011, may qualify for a reduced rate of taxation of 15% or lower. See "— Exercise, Lapse or Disposition of the Warrant" below for a discussion regarding a U.S. holder's holding period in ordinary shares acquired pursuant to the exercise of a warrant. The IRS may take the position that the holding period of ordinary shares for determining long-term

capital gain may not begin until the redemption rights have lapsed. However, we are aware of no authority on whether the redemption rights may prevent a U.S. holder from satisfying the long-term capital gain holding period requirement with respect to its ordinary shares. Gains recognized by a U.S. holder on a sale, exchange or other disposition of ordinary shares generally will be treated as U.S. source income for U.S. foreign tax credit purposes. A loss recognized by a U.S. holder on the sale, exchange or other disposition of ordinary shares generally is allocated to U.S. source income for U.S. foreign tax credit purposes. The deductibility of a capital loss recognized on the sale, exchange or other disposition of ordinary shares is subject to limitations, as is the deduction for losses realized upon a taxable sale, exchange or disposition by a U.S. holder of our ordinary shares if, within a period beginning 30 days before the date of such disposition and ending 30 days after such date, such U.S. shareholder has acquired (by purchase or by an exchange on which the entire amount of gain or loss was recognized by law), or has entered into a contract or option to acquire, substantially identical securities.

For ordinary shares and warrants traded on an established securities market, a U.S. holder that uses the cash method of accounting calculates the U.S. Dollar value of foreign currency proceeds received on the sale as of the date the sale settles, while a U.S. holder that uses the accrual method of accounting is required to calculate the U.S. Dollar value of foreign currency proceeds received on the sale as of the "trade date," unless such U.S. holder has elected to use the settlement date to determine its sale proceeds. A U.S. holder that receives foreign currency upon a disposition of ordinary shares or warrants and converts the foreign currency into U.S. Dollars subsequent to its receipt will have foreign exchange gain or loss based on any appreciation or depreciation in the value of the foreign currency against the U.S. Dollar, which gain or loss will generally be U.S. source ordinary income or loss.

In the event that a U.S. holder receives the redemption price for its ordinary shares pursuant to the exercise of redemption rights, the transaction will be treated for U.S. federal income tax purposes as a redemption of such ordinary shares. If the redemption qualifies as a sale of shares by a U.S. holder under Section 302 of the U.S. Tax Code, the U.S. holder will be treated as described in the preceding three paragraphs. If the redemption does not qualify as a sale of shares under Section 302, a U.S. holder will be treated as receiving a corporate distribution with the tax consequences described under ''— Taxation of Dividends Paid on Shares," above. Whether the redemption qualifies for sale treatment will depend largely on the total number of ordinary shares treated as held by the holder (including any ordinary shares constructively owned by the holder as a result of, among other things, owning warrants). The redemption of ordinary shares generally will be treated as a sale or exchange of the shares (rather than as a corporate distribution) if the receipt of cash upon the redemption (i) is "substantially disproportionate" with respect to the holder, (ii) results in a "complete termination" of the holder's interest in us or (iii) is "not essentially equivalent to a dividend" with respect to the holder. These tests are explained more fully below.

In determining whether any of the foregoing tests are satisfied, a U.S. holder takes into account not only ordinary shares actually owned by the holder, but also ordinary shares that are constructively owned by the holder. A U.S. holder may constructively own, in addition to shares owned directly, shares owned by certain related individuals and entities in which the holder has an interest or that have an interest in such holder, as well as any shares the holder has a right to acquire by exercise of an option, which would generally include ordinary shares which could be acquired pursuant to the exercise of the warrants. In order to meet the substantially disproportionate test, among other requirements, the percentage of our outstanding voting shares actually and constructively owned by the holder immediately following the redemption must be less than 80% of our outstanding voting shares actually and constructively owned by the holder immediately before the redemption. There will be a complete termination of a U.S. holder's interest if either (1) all of the ordinary shares actually and constructively owned by the U.S. holder are redeemed or (2) all of the ordinary shares actually owned by the U.S. holder are redeemed and the holder is eligible to waive, and effectively waives in accordance with specific rules, the attribution of shares owned by certain family members and the U.S. holder does not constructively own any other of our ordinary shares. The redemption of the ordinary shares will not be essentially equivalent to a dividend if the redemption results in a "meaningful reduction" of the holder's proportionate interest in us. Whether the redemption will result in a meaningful reduction in a holder's proportionate interest will depend on the particular facts and circumstances. However, the IRS has indicated in

a published ruling that even a small reduction in the proportionate interest of a small minority shareholder in a publicly held corporation who exercises no control over corporate affairs may constitute such a "meaningful reduction." A U.S. holder should consult its own tax advisers in order to determine the appropriate tax treatment to it of an exercise of a redemption right.

If none of the foregoing tests are satisfied, then the redemption pursuant to an exercise of redemption rights will be treated as a corporate distribution and the tax effects will be as described above under "— Taxation of Dividends Paid on Shares." After the application of those rules, any remaining tax basis of the U.S. holder in the redeemed ordinary shares will be added to the holder's adjusted tax basis in his remaining ordinary shares, or, if the holder has no remaining ordinary shares, to the holder's adjusted tax basis in its warrants or possibly in other of our shares constructively owned by the holder.

U.S. holders who actually or constructively own 1% or more of our shares (by vote or value) may be subject to special reporting requirements with respect to the exercise of redemption rights, and such persons should consult their own tax advisers in that regard.

Exercise, Lapse or Disposition of a Warrant

Except as discussed below with respect to a cashless exercise of a warrant and subject to the discussion of the PFIC rules below, a U.S. holder generally will not recognize gain or loss upon the exercise of a warrant. Ordinary shares acquired pursuant to the exercise of a warrant will have a tax basis equal to the U.S. holder's tax basis in the warrant, increased by the price paid to exercise the warrant. The holding period of such ordinary shares would begin on the date following the date of exercise (or possibly on the date of exercise) of the warrant. If the terms of a warrant provide for any adjustment to the number of ordinary shares for which the warrant may be exercised or to the exercise price of the warrants, such adjustment may, under certain circumstances, result in constructive distributions that could be taxable as a dividend to the holder of the warrants. Conversely, the absence of an appropriate adjustment may result in a constructive distribution that could be taxable as a dividend to the U.S. holders of the shares. See "Taxation of Dividends Paid on the Shares."

The tax consequences of a cashless exercise of a warrant are not clear under current tax law. A cashless exercise may be tax-free, either because the exercise is not a gain realization event or because the exercise is treated as a recapitalization for U.S. federal income tax purposes. In either tax-free situation, a U.S. holder's basis in the shares received would equal the U.S. holder's basis in the warrant. If the cashless exercise were treated as not being a gain realization event, a U.S. holder's holding period in the shares would be treated as commencing on the date following the date of exercise (or possibly the date of exercise) of the warrant. If the cashless exercise were treated as a recapitalization, the holding period of the shares would include the holding period of the warrant.

It is also possible that a cashless exercise could be treated as a taxable exchange in which gain or loss would be recognized. In such event, a U.S. holder could be deemed to have surrendered warrants equal to the number of ordinary shares having a value equal to the exercise price for the total number of warrants to be exercised. The U.S. holder would recognize capital gain or loss in an amount equal to the difference between the fair market value of the ordinary shares represented by the warrants deemed surrendered and the holder's tax basis in the warrants deemed surrendered. In this case, a U.S. holder's tax basis in the shares received would equal the sum of the fair market value of the ordinary shares represented by the warrants deemed surrendered and the holder's tax basis in the warrants exercised. A U.S. holder's holding period for the shares would commence on the date following the date of exercise of the warrant.

Due to the absence of authority on the U.S. federal income tax treatment of a cashless exercise, there can be no assurance which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. holders should consult their tax advisers regarding the tax consequences of a cashless exercise.

If you sell your warrants or if we redeem your warrants (other than in exchange for Liberty ordinary shares), you will recognize capital gain or loss equal to the difference between the proceeds you receive and

your tax basis in the warrants. The resulting gain or loss will be either short-term or long-term depending on whether you have held the warrants for more than one year. If you do not exercise the warrants and they expire, you will recognize a capital loss when they expire equal to your tax basis in the warrants, and such capital loss will be either short-term or long-term depending on whether you have held the warrants for more than one year. A U.S. holder's tax basis in the warrants will equal the portion of the purchase price of the units allocable to the warrant (as described above) and the holding period for the warrants will commence on the date that you purchase the units. U.S. holders who elect to exercise a warrant other than by paying the exercise price in cash should consult their tax advisers regarding the tax treatment of such an exercise, which may vary from that described above. The deductibility of a capital loss recognized on the sale, exchange or other disposition of warrants is subject to limitations, as is the deduction for losses realized upon a taxable disposition by a U.S. holder of our warrants if, within a period beginning 30 days before the date of such disposition and ending 30 days after such date, such U.S. holder has acquired (by purchase or by an exchange on which the entire amount of gain or loss was recognized by law), or has entered into a contract or option to acquire, substantially identical securities.

The warrants on issuance may have an exercise price below the current fair market value of the ordinary shares that could be purchased on exercise of a warrant. In some instances, the IRS has taken the position that a warrant with a below-market exercise price was the equivalent of the shares purchasable on exercise. We believe that the warrants should be treated as warrants and not as shares. However, even if the warrants were treated as shares, a U.S. holder would not recognize taxable income from the exercise or holding of such warrants.

Redemption of Warrants in Exchange for Shares; Amended Warrants

Subject to the PFIC and CFC rules discussed below, although the issue is unclear, the exchange of warrants for Liberty ordinary shares may be tax-free as a recapitalization for U.S. federal income tax purposes. Under this treatment, the U.S. federal income tax consequences of the exchange should be generally that the exchange should not result in the recognition of gain or loss by a U.S. holder, the basis in an ordinary share that you would receive in such exchange should equal your basis in the warrants exchanged for that share, and the holding period for the ordinary share would include your holding period for the warrants surrendered for that share in the exchange.

It is also possible, however, that such exchange could be treated as a cashless exercise of the warrants. See "— Exercise, Lapse or Disposition of a Warrant."

It is also possible that the ordinary shares received by a U.S. holder could result in a constructive distribution under Section 305 of the U.S. Tax Code. However, the Treasury regulations provide that only those recapitalizations that are pursuant to a plan to periodically increase a shareholder's proportionate interest in the assets or earnings of a corporation will be deemed to result in a distribution under Section 305(c) of the U.S. Tax Code and, therefore, the constructive distribution rules of Section 305 of the U.S. Tax Code may not apply.

In addition, the change in the terms of the warrants that are not mandatorily redeemed may also be treated as an exchange of an existing warrant for an amended warrant that will constitute a recapitalization for U.S. federal income tax purposes. In that case the exchange should not result in the recognition of gain or loss by a U.S. holder, and the U.S. holder's holding period for such amended warrant would include its holding period for the warrant surrendered in the exchange.

Controlled Foreign Corporations

A foreign corporation is considered a controlled foreign corporation, or CFC, if 10% U.S. Shareholders (as defined below) own (directly, indirectly, or by application of certain constructive ownership rules) more than 50% of the total combined voting power of all classes of stock of such foreign corporation entitled to vote, or more than 50% of the total value of all stock of such corporation. For purposes of taking into account certain insurance income, the term CFC also generally includes a foreign insurance company in which more than 25% of the total combined voting power of all classes of stock or more than 25% of the total value of all

the stock is owned by 10% U.S. Shareholders. A "10% U.S. Shareholder" is a United States person (within the meaning of the U.S. Tax Code) who owns (directly, indirectly, or by application of certain constructive ownership rules) 10% or more of the total combined voting power of all classes of stock entitled to vote of the foreign corporation. Warrants are generally treated as stock to the extent the result is to treat a person as a 10% U.S. Shareholder and to treat a foreign corporation as a CFC.

Each 10% U.S. Shareholder of a foreign corporation that is a CFC for an uninterrupted period of 30 days or more during a taxable year who owns shares in the CFC, directly or indirectly, on the last day of the CFC's taxable year must include in its gross income for U.S. federal income tax purposes its *pro rata* share of the CFC's "subpart F income," even if the subpart F income is not distributed to the shareholder. Subpart F income generally includes, among other things, certain passive investment income, such as interest, dividends, certain rents or royalties, and certain insurance income. We expect that all or most of our income and the income of our subsidiaries will be subpart F income. In addition, the 10% U.S. Shareholders of a CFC may be deemed to receive taxable distributions to the extent the CFC invests its earnings in certain specified types of "United States property." We can offer no assurance that we or any of our subsidiaries are not or will not be a CFC. Accordingly, a United States person who might, directly, indirectly or constructively, hold or acquire 10% or more of our shares should consult its tax adviser as to the effects of these rules.

A different definition of a CFC is applicable for purposes of taking into account "related person insurance income," or RPII. RPII is subpart F insurance income attributable to insurance policies or reinsurance contracts where the person that is directly or indirectly insured or reinsured is an RPII Shareholder (as defined below) or a related person to the RPII Shareholder. An "RPII Shareholder" is a United States person who owns, directly or indirectly, any amount of shares of a foreign corporation. Generally, for purposes of the RPII rules, a related person is someone who controls or is controlled by the RPII Shareholder or someone who is controlled by the same person or persons which control the RPII Shareholder. Control is measured by either more than 50% in value or more than 50% in voting power of stock after applying certain constructive ownership rules. A foreign corporation is, subject to certain exceptions, treated as a CFC for RPII purposes if RPII Shareholders collectively own directly, indirectly, or by application of the constructive ownership rules 25% or more of the stock of the foreign corporation by vote or value. Although there can be no assurances, we do not expect that we or our subsidiaries will earn RPII.

Section 1248 of the U.S. Tax Code generally provides that if a U.S. person sells or exchanges stock in a foreign corporation and such person is a 10% U.S. Shareholder at any time during the 5-year period ending on the date of the sale or exchange when such foreign corporation was a CFC, any gain from such sale or exchange may be treated as a dividend to the extent of the corporation's earnings and profits attributable to such shares that were accumulated during the period that the shareholder held the shares while the corporation was a CFC (with certain adjustments). Any U.S. person who might, directly, indirectly or constructively, own 10% or more of our shares should consult its tax adviser as to the effects of these rules.

Section 1248 of the U.S. Tax Code also applies to the sale or exchange by an RPII Shareholder of shares in a foreign corporation that is treated as a CFC pursuant to the RPII rules discussed above. In the event a foreign corporation would have been treated as a CFC for RPII purposes (regardless of whether the shareholder is or was a 10% U.S. Shareholder and without taking into account certain exceptions that could cause the corporation not to be a CFC for RPII purposes) at any time during the five-year period ending on the date of disposition and the selling United States person owned any stock at that time, Section 1248 of the U.S. Tax Code may recharacterize gain as a dividend to the extent of the selling United States person's share of the corporation's undistributed earnings and profits that were accumulated during the period that the United States person owned the shares, possibly whether or not those earnings and profits are attributable to RPII. Existing proposed Treasury regulations do not address whether this application of Section 1248 of the U.S. Tax Code would apply if a foreign corporation is not directly engaged in an insurance business but the foreign corporation has a subsidiary that is a CFC under the RPII definition that would be taxed as an insurance company if it were a domestic corporation. While it is possible that this application of Section 1248 of the U.S. Tax Code would not apply to dispositions of our shares by a person that is not a 10% U.S. Shareholder because we will not be directly engaged in an insurance business, there can be no assurance that the IRS will not successfully assert a contrary position under current law or that the Treasury Department will not amend

the proposed Treasury regulations to provide that this application of Section 1248 of the U.S. Tax Code will apply to dispositions of our shares.

The CFC rules are complex. The foregoing is merely a summary of the potential application of these rules. No assurances can be given that we or any of our subsidiaries are not or will not become a CFC. Each potential U.S. holder of our securities is urged to consult its tax adviser with respect to the possible application of the CFC rules.

Passive Foreign Investment Companies

In general, a foreign corporation will be a passive foreign investment company, or PFIC, during a given year if (1) 75% or more of its gross income consists of "passive income" or (2) 50% or more of the average value of its assets (determined on the basis of a quarterly average) produce (or are held for the production of) passive income. For purposes of PFIC classification, passive income generally includes interest, dividends, annuities, certain gains from the sale of stock and securities, and certain other investment income. The PFIC provisions contain a look-through rule under which a foreign corporation is treated as if it "received directly its proportionate share of the income" and as if it "held its proportionate share of the assets" of any other foreign corporation in which it owns at least 25% of the value of the stock. The PFIC rules also provide that income "derived in the active conduct of an insurance business" by a corporation that is "predominantly engaged in an insurance business" and that would be taxed as an insurance company if it were a domestic corporation is not treated as passive income. According to the legislative history, this exception is generally intended to ensure that income derived by a bona fide insurance company is not treated as passive income, except to the extent such income is attributable to financial reserves in excess of the reasonable needs of the insurance business. There are currently no regulations regarding the application of the PFIC provisions to an insurance company, and new regulations or pronouncements interpreting or clarifying these rules may be forthcoming. Because of the uncertainty with regard to the proper application of these rules with respect to us and our subsidiaries, and because PFIC status depends upon the composition of a company's income and assets and the market value of its assets from time to time, there can be no assurance that we or any of our subsidiaries are not or will not be considered a PFIC for any taxable year.

If we were to be treated as a PFIC for any taxable year, gain recognized by a U.S. holder on a disposition of our shares and (under proposed Treasury regulations) of our warrants would be allocated ratably over the U.S. holder's holding period for the shares and warrants. The amounts allocated to the taxable year of the disposition and to any year before we became a PFIC would be taxed as ordinary income. The amounts allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to such taxable year. Further, any distribution in respect of our shares in excess of 125% of the average of the annual distributions on our shares received by the U.S. holder during the preceding three years or the U.S. holder's holding period, whichever is shorter, would be subject to taxation as described above. If a U.S. holder owns shares or warrants in us at a time that we were treated as a PFIC, those shares or warrants will (unless certain elections are made by the holder, which may result in significant tax liability to the holder and which would not be available with respect to our warrants) generally continue to be subject to the PFIC rules even if we later do not satisfy the asset and income tests. In addition, if either (i) we were treated as a PFIC or (ii) by application of certain indirect ownership rules, U.S. holders of our shares could be subject to taxation as described above upon our sale of a subsidiary's stock or our receipt of a distribution from the subsidiary if the subsidiary were treated as a PFIC. In addition, if we were considered a PFIC, upon the death of an individual owning our shares or warrants (unless such individual was not a United States person at any time during his or her holding period for the shares or warrants), such United States person's heirs or estate may not be entitled to a "step-up" in the tax basis of our shares or warrants held by such United States person that might otherwise be available under U.S. federal income tax laws.

Certain elections may be available to United States persons that may mitigate certain of the adverse consequences resulting from PFIC status (such as the "qualified electing fund" election), although such elections generally would not apply with respect to our warrants. Each U.S. holder who owns or is considering an investment in our shares or warrants should consult its tax adviser with respect to these elections.

A corporation that is a CFC will generally not be treated with respect to a shareholder as a PFIC during the portion of the shareholder's holding period during which the shareholder is a 10% U.S. Shareholder and the corporation is a CFC. Therefore, for any year in which we are both a PFIC and a CFC, a holder of our stock that is a 10% U.S. Shareholder may be subject to the CFC rules described above and not the PFIC rules with respect to our shares.

The rules dealing with PFICs are very complex and are affected by various factors in addition to those described above. As a result, U.S. holders of our securities are strongly encouraged to consult their tax advisers about the PFIC rules in connection with their purchasing, holding or disposing of shares or warrants.

Tax Consequences for Non-U.S. Holders of Shares or Warrants

Except as described in "Information Reporting and Backup Withholding" below, a non-U.S. holder of ordinary shares or warrants will not be subject to U.S. federal income tax or withholding on the receipt of dividends on ordinary shares and the proceeds from the disposition of ordinary shares or warrants unless:

- such income is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States and, in general, in the case of a resident of a country which has an income tax treaty with the United States, such income is also attributable to a permanent establishment or, in the case of an individual, a fixed base, in the United States; or

- such income is U.S. source income and the non-U.S. holder is an individual who holds the shares or warrants as a capital asset and is present in the U.S. for 183 days or more in the taxable year of the disposition, certain other conditions are met, and such non-U.S. holder does not qualify for an exemption.

If the first exception applies, the non-U.S. holder generally will be subject to U.S. federal income tax with respect to such item in the same manner as a U.S. holder unless otherwise provided in an applicable income tax treaty; a non-U.S. holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such item at a rate of 30% (or at a reduced rate under an applicable income tax treaty). If the second exception applies, the non-U.S. holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate under an applicable income tax treaty) on the amount by which such non-U.S. holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of disposition of the ordinary shares or warrants.

Information Reporting and Backup Withholding

U.S. holders generally are subject to information reporting requirements with respect to dividends paid on shares and on the proceeds from the sale, exchange or disposition of shares or warrants if the payments are made by or through a U.S. Person or a U.S. office of a non-U.S. Person (as defined in Regulation S under the Securities Act). In addition, U.S. holders are subject to backup withholding (currently at 28%) on dividends paid on shares, and on proceeds from the sale, exchange or other disposition of shares or warrants, unless each such U.S. holder provides a taxpayer identification number and a duly executed IRS Form W-9 or otherwise establishes an exemption.

Non-U.S. holders generally are not subject to information reporting or backup withholding with respect to dividends paid on shares, or the proceeds from the sale, exchange or other disposition of shares or warrants, provided that each such non-U.S. holder certifies as to its foreign status on the applicable duly executed IRS Form W-8 or otherwise establishes an exemption.

Backup withholding is not an additional tax and the amount of any backup withholding will be allowed as a credit against a U.S. or non-U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

Certain Cayman Islands Tax Considerations

The following discussion summarizes Cayman Islands income tax considerations currently in effect that are relevant to us and Cayman Islands income tax consequences of buying, holding or selling our shares. Except for matters where it is explicitly stated that we will not receive an opinion of counsel, the statements as to Cayman Islands tax law set forth below are the opinion of Maples and Calder, our Cayman Islands counsel, as to such tax laws (subject to the qualifications, assumptions and factual determinations set forth in such statements). The following discussion is not intended to be tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law. Prior to making an investment in our shares, we advise you to consult with your own professional advisers on the possible tax consequences of buying, holding or selling our shares under the laws of your country of citizenship, residence or domicile.

Cayman Islands Taxation of Liberty

Under current Cayman Islands law, there is no Cayman Islands income tax, withholding tax, capital gains tax or capital transfer tax payable by us on our income. The Cayman Islands currently imposes stamp duties on certain categories of documents if brought to or executed within the Cayman Islands; however, we do not anticipate that our operations will involve the payment of any material amount of stamp duties. The Cayman Islands currently impose an annual corporate fee upon all exempted companies. Our current annual corporate fee rate is approximately $573.17.

Cayman Islands Taxation of Shareholders

Under current Cayman Islands laws, payments of dividends on our shares will not be subject to taxation in the Cayman Islands. In addition, no withholding tax is required on the payment of dividends, nor are gains derived from the sale of shares subject to Cayman Islands income or corporation tax. The Cayman Islands currently has no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. No stamp duty is payable with respect to the issue or transfer of our shares.

Tax undertaking

We have received an undertaking from the Governor-in-Cabinet of the Cayman Islands dated January 15, 2008, pursuant to the provisions of the Tax Concessions Law (1999 Revision), as amended, that, in the event that the Cayman Islands enacts any legislation that imposes tax on profits, income, gains or appreciations, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to us or our operations, or to our shares or other obligations, for a period of 20 years.

Regulatory Matters

See "The Pearl Group Purchase Agreement — Regulatory Matters."

Dividend Policy

If the Acquisition is consummated, we expect to pay a dividend at an initial rate of €0.50 per share per year. The dividend will be pro-rated for the 2009 financial year from the date of the consummation of the Acquisition to year end. The Amended and Restated Pearl Acquisition Credit Facility Agreement and the Amended and Restated Impala Acquisition Credit Facility Agreement contain restrictions, based primarily on the satisfaction of financial covenants and surplus cash provisions, on the distribution of profits by the Pearl Borrowers and the Impala Borrowers, which could affect the ability of Liberty to declare and pay dividends. Specific provisions that contemplate the payment of dividends have been included in these facility agreements in relation to the distribution of profits. See "Agreements Related to the Acquisition — Credit Facilities." All dividends will be subject to the terms of the facility agreements and there can be no assurance as to the amount of any future dividends or that we will be able to pay any dividends at all in the future. See "Risk Factors" for a discussion of certain factors that may prevent us from paying dividends.

Necessity of Shareholder Approval

Because of provisions in our M&AA, approval of the Acquisition Proposal by a majority of the Public Shares is required. The number of Public Shares outstanding as of the Record Date was 60,000,000.

Consequences if the Acquisition Proposal is Not Approved

If the Acquisition Proposal is not approved by the public shareholders, Liberty will not acquire the Pearl Group or Opal Re and will continue to seek other potential business combinations. Liberty's board of directors may abandon each of the Name Change Proposal, the Authorized Share Capital Proposal, the Quorum Amendment Proposal, the Share Repurchase Proposal, the M&AA Amendment and Restatement Proposal and the Incentive Plan Proposal, notwithstanding any shareholder approval of such Proposals, without further action by Liberty's shareholders, if the Acquisition Proposal is not approved. We anticipate that Liberty's board of directors will abandon each of these Proposals if the Acquisition Proposal is not approved. In such an event, there is no assurance that Liberty will have the time, resources or capital available to find a suitable business combination partner before the proceeds in the Trust Account are distributed to holders of public ordinary shares and Liberty is liquidated and dissolved pursuant to the trust agreement and in accordance with Liberty's M&AA.

Proposal

THAT the acquisition by Liberty of the Acquired Companies pursuant to the terms of the Purchase Agreements, and the transactions contemplated thereby, be approved.

Required Vote

The Acquisition Proposal must be approved by the affirmative vote of a majority of the Public Shares issued and outstanding as of the Record Date, provided that if the holders of 30% or more of the total number of Public Shares vote "AGAINST" the Acquisition Proposal and exercise their right to request redemption of their shares for a *pro rata* portion of the funds held in the Trust Account, then Liberty will not consummate the Acquisition described in the Acquisition Proposal and will not complete the actions contemplated by the remaining Proposals. These voting thresholds are requirements of our M&AA.

Recommendation

Liberty's board of directors has determined unanimously that the Acquisition is fair to, and in the best interests of, Liberty and its shareholders and that it is in the best interests of Liberty that its shareholders approve the Acquisition Proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THE ACQUISITION PROPOSAL.

THE PEARL GROUP PURCHASE AGREEMENT

The following summary of the material provisions of the Purchase Agreement, dated as of June 27, 2009, among Liberty and the Pearl Group Sellers (the ***"Pearl Group Purchase Agreement")*** *is qualified by reference to the complete text of the Pearl Group Purchase Agreement, a copy of which is attached as Annex A to this proxy and consent solicitation statement. All shareholders and warrant holders are encouraged to read the Pearl Group Purchase Agreement in its entirety for a more complete description of the terms and conditions of the Acquisition.*

The Pearl Group Purchase Agreement has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any factual information about Liberty, any of the Acquired Companies or the Pearl Group. The warranties and covenants contained in the Pearl Group Purchase Agreement were made only for purposes of such agreement and as of the specific dates set forth therein, were solely for the benefit of the parties to the Pearl Group Purchase Agreement, and may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Pearl Group Purchase Agreement, instead of establishing these matters as facts, and such warranties and covenants may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors and security holders are not third party beneficiaries under the Pearl Group Purchase Agreement, and should not rely on the warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or conditions of Liberty, the Acquired Companies or the Pearl Group. Moreover, information concerning the subject matter of the warranties may change after the date of the Pearl Group Purchase Agreement, which subsequent information may or may not be fully reflected in Liberty's public disclosure.

Structure of the Acquisition

The Pearl Group Purchase Agreement, which was signed on June 27, 2009, provides for the Acquisition by Liberty of all of the outstanding equity interests of the Acquired Companies (except Opal Re) in exchange for Class B ordinary shares of Liberty. The Acquisition has been structured to achieve a number of business, regulatory, tax and other objectives of Liberty and the Pearl Group Sellers. Following the consummation of the Acquisition, Liberty will be the new ultimate holding company of the Pearl Group and the business and assets of each member of the Pearl Group will be Liberty's direct and indirect assets and liabilities.

The Pearl Group Sellers consist of Sun Capital, TDR Capital, Xercise Limited, Xercise Midco Limited, Jambright Limited and Jambright Midco Limited.

Acquisition Consideration

At the closing, and subject to adjustment as described below, Liberty will issue 36,418,936 newly issued Class B ordinary shares of Liberty to the Pearl Group Sellers and other Selling Shareholders in consideration for all of the outstanding equity interests of the Acquired Companies excluding Opal Re. In addition, following the closing, Liberty will issue up to 24,301,030 ordinary shares to the Pearl Group Sellers and other Selling Shareholders, subject to certain contingencies as described below under "Agreements Related to the Acquisition — Contingent Consideration Agreement."

The Class B ordinary shares are identical to our Public Shares, except that the Class B ordinary shares are redeemable and are convertible on a one-for-one basis, by variation of rights and re-designation, into ordinary shares, subject to compliance with applicable laws (including the rules and regulations of any investment exchange on which Liberty's ordinary shares are admitted to trading). However, 50% of the Class B ordinary shares issued as consideration for the Acquired Companies may not be converted until the expiration of the survival period for warranty claims under the Purchase Agreements. See "The Pearl Group Purchase Agreement — Liabilities for Breaches of Warranties."

Based on the closing sale price of the ordinary shares on the Record Date (which is June 27, 2009) of €9.70 per share, the aggregate value of the consideration payable to the Pearl Group Sellers and other Selling Shareholders in the Acquisition, including all contingent shares will be approximately €589.0 million.

In addition, pursuant to the Pearl Group Purchase Agreement, Liberty has agreed to issue, at closing, 500,000 Class B ordinary shares to certain key management personnel of Pearl Group under the BSP.

Warranties

The Pearl Group Purchase Agreement contains a number of warranties made by the Pearl Group Sellers and Liberty to each other.

The warranties given by TDR Capital, Xercise Limited, Jambright Limited, Xercise Midco Limited and Jambright Midco Limited include warranties in respect of:

- organization and qualification;
- capacity or authority to execute, deliver, and perform its obligations under the transaction documents related to the Acquisition and the enforceability of those transaction documents;

The warranties given by all of the Pearl Group Sellers include warranties in respect of:

- absence of any conflicts or violations under organizational documents, material agreements and applicable laws, licenses or permits as a result of the consummation of the Acquisition or the execution, delivery or performance of the transaction documents;
- required governmental and other consents and approvals;
- enforceability of the Pearl Group Purchase Agreement against such Pearl Group Sellers;
- ownership of the shares of the Acquired Companies by the Pearl Group Sellers;
- solvency of such Pearl Group Seller; and
- payment of fees to investment banks, brokers, finders or other intermediary in connection with the transaction documents.

The substantially reciprocal warranties given by each of Liberty and the Pearl Group Sellers (in respect of the Pearl Group) include warranties relating to:

- organization, qualification and subsidiaries;
- absence of any conflicts or violations under organizational documents, material agreements and
- applicable laws, licenses or permits as a result of the consummation of the Acquisition or the execution, delivery or performance of the transaction documents;
- payment of fees to investment banks, brokers, finders or other intermediary in connection with the transaction documents;
- required governmental approvals;
- capital structure and equity ownership;
- financial statements and liabilities;
- absence of certain changes or events since December 31, 2008;
- tax matters;
- title to assets and properties and absence of material liens;
- material contracts and change of control agreements;
- litigation matters;

- environmental matters;
- compliance with applicable laws;
- permits and licenses;
- employment and employee benefits matters; and
- insurance.

The Pearl Group Sellers have given additional warranties in respect of the Pearl Group relating to:

- transactions with affiliates;
- guarantees;
- business intellectual property;
- absence of unlawful business practices; and
- pension arrangements.

Liberty has given additional warranties in respect of itself relating to:

- authority to execute, deliver and perform its obligations under the transaction documents and the enforceability of those transaction documents;
- Liberty's filings with the AFM;
- Liberty's offering circular issued in connection with its initial public offering; and
- the Trust Account.

Materiality and Material Adverse Effect

Certain warranties are qualified by materiality or material adverse effect. For the purpose of the Pearl Group Purchase Agreement, a material adverse effect as to the Pearl Group and Liberty means any fact, circumstance, change or effect that, individually or when taken together with all other such facts, circumstances, changes or effects that exist at the date of determination of the occurrence of the material adverse effect, has or is reasonably likely to have a material adverse effect on (1) the ability of such entities to perform any material obligations under any of the transaction documents or (2) the ability of such entities to consummate the Acquisition in accordance with the transaction documents or (3) the business, operations, financial condition or results of operations of such entities, taken as a whole. None of the following will be deemed to be or constitute a material adverse effect:

- economic, financial or political conditions or changes therein (to the extent that such conditions do not have a disproportionate impact on the Pearl Group or Liberty, as the case may be);
- conditions in the financial markets, and any changes therein (to the extent that such conditions do not have a disproportionate impact on the Pearl Group or Liberty, as the case may be);
- the Pearl Group Purchase Agreement and the Acquisition;
- changes in applicable laws, IFRS or UK GAAP; or
- compliance with the express terms or failure to take action prohibited by the Pearl Group Purchase Agreement.

Material adverse effect with respect to Liberty shall also include the ordinary shares ceasing to be admitted to trading on Euronext.

Covenants

The parties to the Pearl Group Purchase Agreement have agreed to perform certain covenants, including the those set forth below:

Conduct of Business. For the period prior to completion of the Acquisition or termination of the Pearl Group Purchase Agreement (except as expressly permitted by the Pearl Group Purchase Agreement), the parties have agreed that Liberty and the Pearl Group will, with certain listed exceptions, conduct their businesses in the ordinary course consistent with past practices.

The parties have also agreed that, except for actions taken in connection with the Purchase Agreements, any transaction required pursuant to the contemplated corporate reorganization of the Pearl Group, the restructuring of the Pearl Group's debt, the satisfaction of the conditions set out in a pensions agreement between Pearl and the Pearl Group Pension Scheme trustee dated June 26, 2009, certain agreed-upon related party transactions or the Warrant Amendment, prior to the consummation of the Acquisition (except for various exceptions contained in the Pearl Group Purchase Agreement or the related disclosure statement and schedules), Liberty would not do any of the following and the Pearl Group Sellers will ensure that the Pearl Group would not do any of the following without notifying Liberty; *provided, however,* that if any of the following actions are taken by the Pearl Group without Liberty's prior written approval, Liberty's board of directors may withdraw or amend its recommendation that Liberty's shareholders vote in favor of the Acquisition:

- amend or propose to amend any of its organizational documents;
- authorize for issuance, issue, sell or deliver any of its securities or any securities of any of its subsidiaries;
- acquire, redeem or amend any of its securities;
- split, combine or reclassify any shares or other equity securities;
- propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of it or any of its subsidiaries;
- declare, make or pay any dividends or distributions to its shareholders (with respect to the Pearl Group, other than dividends or distributions made from one subsidiary to another);
- incur or assume any indebtedness or issue any debt securities, guarantee any material obligations (with respect to the Pearl Group, in excess of €20 million), make any material loans or mortgage or pledge any of its or its subsidiaries' assets other than in the ordinary course of business;
- make any changes to any employee benefits plan, increase compensation or pay any bonuses or benefit to any consultant, director, officer or employee not required by any employee benefits plan;
- forgive any loans to any of its or its subsidiaries' or affiliates' employees, officers or directors (with respect to the Pearl Group, in excess of €50,000);
- make any deposits or contributions or take any action to fund or secure the payment of compensation or benefits under any employee benefits plan, except as required by the terms of such employee benefits plan or any contract subject to such plan in effect on the date of the Pearl Group Purchase Agreement or as required by law;
- acquire, sell, lease, license or dispose of any material property or assets in excess of €10 million individually, or €50 million in the aggregate, except for transactions (1) pursuant to existing contracts or (2) in the ordinary course of business;
- except as may be required to remain in compliance with the applicable laws, IFRS or UK GAAP, make any change in any of the accounting principles or practices used by it;
- change any material tax election or accounting method, settle or compromise any material tax liability, or consent to the extension or waiver of the limitations period applicable to a material tax claim or

assessment except, with respect to the Pearl Group in the ordinary course of business or as may be required to remain in compliance with applicable laws or UK GAAP;

- enter into or amend any material contract or grant any release or relinquishment of any material rights under any material contract, except as permitted in the Pearl Group Purchase Agreement;
- acquire (by merger, consolidation or Acquisition of shares or assets) any other person or any equity or ownership interest therein;
- settle or compromise any pending or threatened action or pay, discharge or satisfy or agree to pay,
- discharge or satisfy any liability, except as permitted in the Pearl Group Purchase Agreement;
- except as required by applicable law, UK GAAP or IFRS, revalue in any material respects any of its property or assets;
- with respect to the Pearl Group, accelerate the vesting of awards under any cash or equity-based incentive arrangement;
- enter into a contract to do any of the foregoing; and
- with respect to Liberty, knowingly take any action which is reasonably expected to result in any of the conditions to the consummation of the Acquisition or related transactions not being satisfied or knowingly take any action which would materially impair its ability to consummate the Acquisition or related transactions in accordance with the terms of the Pearl Group Purchase Agreement or materially delay such consummation.

The Pearl Group Sellers also agreed to cause each of the Acquired Companies (excluding Opal Re) not to do any of the following;

- amend or propose to amend any of its organizational documents;
- authorize for issuance, issue, sell or deliver any of its securities or any securities of any of its subsidiaries;
- acquire, redeem or amend any of its securities;
- split, combine or reclassify any shares or other equity securities;
- propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of it or any of its subsidiaries;
- declare, make or pay any dividends or distributions to its shareholders (other than dividends or distributions made from one subsidiary to another);
- enter into any related party transaction agreement or arrangements of the kind contemplated by the Pearl Group Purchase Agreement; and
- enter into a contract to do any of the foregoing.

Liberty Proxy and Consent Solicitation Statement and Shareholders' Meeting. Liberty has agreed to prepare and file a proxy and consent solicitation statement and make any filing required under applicable securities laws and to call and hold a meeting of its shareholders for the purpose of seeking the adoption of the Acquisition Proposal by its shareholders, as well as the adoption of the other amendments to its M&AA that are necessary following the transaction and the conversion of Liberty from a special purpose acquisition company to a holding company of an operating group. Liberty has also agreed that, subject to the limitations discussed above under "Covenants — Conduct of Business," it will, through its board of directors, recommend to its shareholders that they approve and adopt the Acquisition Proposal. The Pearl Group Sellers have agreed to provide the required information with respect to its business in Liberty's proxy and consent solicitation statement.

Directors and Officers of Liberty After Closing. Liberty and the Pearl Group Sellers have agreed to take all necessary actions to appoint and elect certain officers and directors of Liberty and its subsidiaries to serve in such positions immediately after the closing. The director nominees under the Pearl Group Purchase Agreement are set forth in "Management Following the Acquisition."

Non-Compete. For a period of one year after the consummation of the proposed Acquisition, the Pearl Group Sellers have agreed not to engage in the purchase, sale or management of funds that are no longer open for underwriting of new life insurance or life insurance policies (other than instruments and annuities issuable upon the maturity of existing policies) anywhere in the United Kingdom or any other territory in which an acquired company is conducting business on the date of completion of the Pearl Group Purchase Agreement (other than the effecting and carrying out of contracts of insurance and all asset and liability management activities related thereto, and the management of investments on behalf of third parties).

Public Disclosure. Each party has agreed to cooperate in good faith to jointly prepare all press releases and public announcements pertaining to the Pearl Group Purchase Agreement and the Acquisition. Each party has agreed it will not issue or otherwise make any public announcement or communication pertaining to the Pearl Group Purchase Agreement or the Acquisition without the prior consent of the other, subject to certain exceptions set forth in the Pearl Group Purchase Agreement. Each party has agreed not to unreasonably withhold approval from the others with respect to any press release or public announcement.

Reasonable Endeavors. Each party has agreed to use its reasonable endeavors to take, or cause to be taken, all necessary and proper actions to consummate the Acquisition, including causing the conditions precedent to the closing of the Acquisition to be satisfied.

Notices of Certain Events. Each party has agreed to notify the other of (1) any notice from any person alleging that person's consent is required, (2) any notice from any governmental entity relating to the Acquisition, and (3) any action affecting the parties, the assets, liabilities or employees of the parties to a material extent or the consummation of the Acquisition.

Directors' and Officers' Insurance. For six years after the date of completion of the Pearl Group Purchase Agreement, Liberty is obligated to maintain for the benefit of directors and officers of Liberty as of the closing of the Acquisition, the same directors' and officers' liability insurance for persons covered under its directors' and officers' insurance policy in effect from time to time. However, Liberty will not be required to expend in the aggregate amounts in any year in excess of €200,000 over the amount it would otherwise have expended for such insurance to cover its then existing directors and officers (in which event, Liberty is obligated to purchase the greatest coverage available for such amount).

Advice of Changes. Each party has agreed to notify the other of the occurrence, or failure to occur, of any event that would likely cause any conditions precedent to the closing of the Acquisition to become incapable of being fulfilled or materially delayed or give rise to a right to terminate the Pearl Group Purchase Agreement.

Consents. Each party has agreed that it will promptly make all filings required by law, cooperate with the other parties with respect to those filings and obtain all consents and orders required to be obtained in connection with the transaction documents and the consummation of the Acquisition.

Liberty's Organizational Documents. Promptly following the meeting of Liberty's shareholders and before the closing, Liberty will amend its M&AA to include certain corporate governance provisions and other changes described in this proxy and consent solicitation statement.

Lock-Up. For a period of one year following the date of completion of the Pearl Group Purchase Agreement, no Pearl Group Seller may, directly or indirectly, sell or transfer any Class B ordinary shares (or any shares into which the Class B ordinary shares may be converted) and any equity securities derived from such shares; provided, however, that each Pearl Group Seller may sell up to 50% of such Pearl Group Seller's shares to pay taxes arising out of the receipt of the shares.

No Shop. The Pearl Group Sellers and Liberty have agreed, respectively, that until the earlier of the termination of the Pearl Group Purchase Agreement or the date of completion of the Pearl Group Purchase

Agreement, they will not solicit, initiate or participate in any discussions concerning any direct or indirect Acquisition of more than 5% of the assets or equity securities of the Acquired Companies or Liberty or any merger, consolidation, business combination or other similar transaction relating to the Pearl Group or Liberty.

Pearl Reorganization, Debt Restructuring, Pension Reorganization and Related Party Agreement Arrangements. Liberty and the Pearl Group Sellers have agreed to cooperate in the preparation of the necessary documentation to complete the corporate reorganization of the Pearl Group, the restructuring of the Pearl Group's debt, the satisfaction of the conditions set out in a pensions agreement between Pearl and the Pearl Group Pension Scheme trustee dated June 26, 2009 and the modification or termination of the Pearl Group's related party agreements, and the Pearl Group Sellers have agreed to use reasonable endeavors to implement those plans.

Pearl Deferred Cash Plan. The Pearl Group Sellers have agreed that the Pearl Group will not accelerate the vesting of awards under its equity based incentive arrangements as a result of the Acquisition.

Guarantees. Sun Capital has agreed to guarantee the obligations of Xercise Limited and Xercise MC Limited under the Pearl Group Purchase Agreement and TDR Capital has agreed to guarantee the obligations of Jambright Limited and Jambright Midco Limited under the Pearl Group Purchase Agreement.

Rights Offering. The Pearl Group Sellers have agreed to use their reasonable endeavors to cause TC1 and TC2 to complete a rights offering to raise a total of approximately £72.0 million in new funds.

Conditions to the Completion of the Acquisition

The obligations of each of Liberty and the Pearl Group Sellers to complete the Acquisition are subject to the satisfaction or waiver (other than the condition relating to Royal London, which is not capable of waiver) by the other party at or prior to the closing date of various conditions, including:

- the warranties of the other party must be true and correct except as would not have a material adverse effect;
- the other party's performance or compliance with its covenants and agreements contained in the Pearl Group Purchase Agreement and the transaction documents;
- no litigation or action being threatened in writing, instituted or pending that is reasonably likely to make illegal, delay, restrain, prohibit or otherwise adversely affect consummation of the Acquisition or that would otherwise have a material adverse effect on the Pearl Group, Opal Re or Liberty or prevent Liberty from exercising full rights of ownership of the shares of the Acquired Companies to be purchased in the Acquisition;
- the absence of any law or action by any court or other government entity that may inhibit or have a material adverse effect on the Pearl Group or Liberty or that would adversely affect the consummation of the Acquisition or that would otherwise have a material adverse effect on the Pearl Group, the Acquired Companies or Liberty or prevent Liberty from exercising full rights of ownership of the shares of the Acquired Companies to be purchased in the Acquisition;
- the receipt of all required approvals and consents and their submission to the other party;
- the termination or expiration of all antitrust-related waiting periods, the receipt of all antitrust approvals and consents and the filing of all antitrust notices or filings required, or deemed by both parties (acting reasonably) to be desirable, to have been made;
- the approval by Liberty's shareholders of the Acquisition Proposal and each of the other Proposals;
- consent by the requisite number of warrant holders to effect the Warrant Amendment and the Mandatory Redemption;
- the execution and delivery by each of the other parties of each of the transaction documents;

- an amount in aggregate capital to £75,000,000 of additional funds standing to the credit of TC1 and TC2's bank accounts (when taken together), freely available for use without delay;
- the satisfaction of the conditions (save for the condition relating to closing of the Acquisition) set out in the pension agreement between Pearl and the Pearl Group Pension Scheme trustee dated June 26, 2009;
- the amendment of Liberty's M&AA as described herein;
- the receipt of FSA and any other relevant regulatory approval;
- no obligation of any party under the U.K. City Code on Takeovers and Mergers;
- the satisfaction or waiver of all the conditions to the Acquisition contemplated by the Opal Re Purchase Agreement; and
- the confirmation, amendment or termination of the Pearl Group's related-party transactions; and
- all conditions to the transactions contemplated by the Royal London settlement deed (see "Agreements Related to the Acquisition — Royal London Agreements") having been satisfied or waived in full such that closing of the Royal London settlement deed may occur simultaneously with the closing under the Pearl Group Purchase Agreement.

The Pearl Group Sellers' obligation to complete the Acquisition is also subject to Liberty having not less than £450 million in cash (after the payment of the deferred underwriting discounts and commissions and expenses associated with Liberty's operations and the Acquisition) in the Trust Account (or otherwise available pursuant to the Contingent Subscription Agreement entered into between Liberty and its sponsors).

Liberty's obligation to complete the Acquisition is also subject to TC1 and TC2 having freely available funds of not less than £75 million. These funds will be raised by a combination of the rights offering by TC1 and TC2, the obligation of Sun Capital and TDR Capital to provide funds under the related subscription and underwriting agreement if the rights offer fails to raise sufficient funds (See "Agreements Related to the Acquisition — Rights Offer Subscription Agreement") and the repayment of certain intercompany loans.

Termination

The Pearl Group Purchase Agreement may be terminated at any time prior to the closing in the event that any of the following list of (non-exhaustive) circumstances arise:

- by mutual written agreement of Liberty and the Pearl Group Sellers;
- by any party, if the closing has not occurred before the termination date of October 5, 2009;
- by any party, if there is any law or court or governmental order, which is not subject to appeal or has become final, that makes consummation of the Acquisition illegal or otherwise prohibited;
- by Liberty, if there has been a material adverse effect on the Pearl Group or by the Pearl Group Sellers if there has been a material adverse effect on Liberty;
- by Liberty, if the Pearl Group has incurred additional indebtedness (other than in respect of its investment insurance businesses) in excess of €100 million or sold any of its assets with a fair market value in excess of €100 million;
- by Liberty if the aggregate amount of payments owing by the Acquired Companies or the Pearl Group (taken as a whole) as a result of the execution of the Pearl Group Purchase Agreement or completion of the Acquisition as a result of bonus, exit, deal remuneration or change of control provisions contained in any individual's contract of employment or other contractual arrangement with any Acquired Company or member of the Pearl Group exceeds €5 million;
- by any party if the other violates the no-shop covenant;

- by Liberty if the Acquired Companies do any of the following:
  - amend or propose to amend any of its organizational documents;
  - authorize for issuance, issue, sell or deliver any of its securities or any securities of any of its subsidiaries;
  - acquire, redeem or amend any of its securities;
  - split, combine or reclassify any shares or other equity securities;
  - propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of it or any of its subsidiaries;
  - declare, make or pay any dividends or distributions to its shareholders;
  - enter into any related party transactions, other than those agreed to with Liberty under the Pearl Group Purchase Agreement;
  - enter into a contract to do any of the foregoing
- by the Pearl Group Sellers if Liberty breaches any of its covenants with respect to the operation of its business as described above; or
- by any party if, in its reasonable discretion, it determines that a condition of its obligation to close is incapable of being fulfilled.

In the event of termination of the Pearl Group Purchase Agreement, the Pearl Group Purchase Agreement will become void and have no effect, without any liability on the part of either party or its affiliates or representatives, except that each party will still be liable for any breach of the Pearl Group Purchase Agreement.

Survival

All warranties in the Pearl Group Purchase Agreement will survive the completion of the Pearl Group Purchase Agreement. However, no claim based on a breach of any warranty may be made after the date that is 30 days after the completion and delivery to Liberty of the audited financial statements of Liberty for the fiscal year ending December 31, 2010.

Liability for Breaches of Warranties

After completion of the Pearl Group Purchase Agreement, the Pearl Group Sellers and the Opal Re Sellers will be liable to Liberty for any warranty given by the Pearl Group Sellers in the Pearl Group Purchase Agreement. Liberty will be liable to the Pearl Group Sellers for any breach of any warranty made by Liberty in the Pearl Group Purchase Agreement.

Claim Thresholds. There are three types of minimum euro claim thresholds that must be exceeded before claims can be made for breach of warranties:

(i) no claim for breach of warranties may be made for claims that involve damages of less than €500,000;

(ii) no claim for breach of warranties may be made for any tax claim that involves damages of less than €5 million; and

(iii) no claim for breach of warranties may be made until the aggregate amount of all claims under the Purchase Agreements (other than those excluded in clauses (i) and (ii) in each of the Purchase Agreements albeit that a combined cap and hurdle applies across both Purchase Agreements above) exceeds €50 million.

Claims for breach of certain warranties are not subject to the minimum claim amount specified in clause (i) above nor the claim thresholds described in clause (iii) above. These relate to breaches of certain warranties

as to the legality and binding effect of the Pearl Group Purchase Agreement with respect to the person making that warranty, that person's title to its Purchased Shares and certain other matters.

Damage Claim Caps. The Pearl Group Purchase Agreement also includes limits on the maximum amount that may be recovered for claims based on breach of warranties. For the Pearl Group Sellers and the Opal Re Sellers, the cap is an amount equal to 50% of (i) the Class B ordinary shares issued pursuant to the Pearl Group Purchase Agreement, (ii) the Class B ordinary shares issued pursuant to the Opal Re Purchase Agreement and (iii) the entitlement to ordinary shares issuable pursuant to the Contingent Consideration Agreement (valued as of the date of completion of the Acquisition), except that in the case of breaches of designated warranties, the cap is equal to 100% of the value of such shares (valued as of the closing date). For Liberty, the cap is an amount equal to 50% of the issued shares (valued at the closing date), except that in the case of breaches of designated warranties, the cap is equal to 100% of the value of the issued shares (valued as of the date of the consummation of the Acquisition).

None of the Pearl Group Sellers or Opal Re Sellers are liable for warranty claims to the extent the loss or damage claimed by Liberty is reflected or reserved for in the Pearl Group consolidated accounts or management accounts. None of the Pearl Group Sellers or Opal Re Sellers will be liable under the Pearl Group Purchase Agreement for any matter that would not have occurred but for (1) any new law, including changes in taxation or (2) any change of any generally accepted interpretation or application of any law after the closing. The amount of damages to which any person is entitled will be decreased by insurance proceeds actually received and increased (but in no event above the maximum liability described above) or reduced to take account of any tax costs incurred and tax savings currently realizable by such person. No party to the Pearl Group Purchase Agreement will have any obligation to any person for such person's own consequential or incidental damages arising out of a breach by either party of its warranties. The sole remedy of the parties for any breach of warranties made by the other party will be the rights to damages from the breaching party, except that the Pearl Group Purchase Agreement does not limit any right or remedy of any party (1) for claims of fraud, or (2) for claims that cannot be limited or waived as a matter of applicable law or public policy. All claimants must take all reasonable steps to avoid or mitigate any loss or damage it may suffer as a result of a breach of warranty. No warranty claim may be made with respect to any matter to the extent that accurate information about such matter has been disclosed in sufficient detail to reasonably identify the nature and scope thereof.

Damages Payable by Liberty. Any damages payable by Liberty will be paid by wire transfer of immediately available euros to each relevant Pearl Group Seller within ten business days after such amount has been established. If Liberty shall fail to pay any amounts due, each of Liberty's Sponsors will pay 50% of the aggregate amount payable by Liberty. The sponsors may pay any amounts due in cash or in ordinary shares valued at the volume weighted-average share price of such shares for the 30-day trading period following the public disclosure of the event giving rise to a damage claim or, if no public disclosure has been made, then the 30-day trading period following delivery of a claim notice (the **"applicable share price"**). The sponsors shall not be obligated to pay the Pearl Group Sellers more than the product of (i) 50% of the number of ordinary shares purchased by each sponsor directly from Liberty and (ii) the applicable share price.

Damages Payable by the Pearl Group Sellers and the Opal Re Sellers. Any damages payable by the Pearl Group Sellers and the Opal Re Sellers will be paid to Liberty within ten business days after such amount has been established, by (i) wire transfer of immediately available cash (in the currency in which Liberty's ordinary shares are denominated on the business day before the payment) or (ii) by requesting that Liberty compulsorily redeem shares held by each Pearl Group Seller or the Opal Re Sellers or require the relinquishment of the right to receive a number of ordinary shares payable under the Contingent Consideration Agreement with a value equal to the amount payable by such Pearl Group Seller or Opal Re Seller (determined at the applicable share price). If any Pearl Group Seller or Opal Re Seller fails to pay its portion of any damages within the ten business day period referred to above, Liberty may redeem or cancel the right to receive an amount of shares with a value equal to the unpaid amount (determined at the applicable share price). The Class B ordinary shares and ordinary shares to be used to pay any such amount payable will be derived *pro rata* from the Class B ordinary shares issued pursuant to the Purchase Agreements and the entitlement to receive ordinary shares to be issued pursuant to the Contingent Consideration Agreement. For

so long as rights to receive contingent shares exist (in so far as such shares have not already been issued), the right to relinquish contingent shares shall be divided evenly among each tranche of shares to be issued in the event of the Liberty share price attaining relevant threshold levels as detailed in the Contingent Consideration Agreement.

Amendments

Prior to the closing, the Pearl Group Purchase Agreement may not be amended, modified or supplemented except by a written agreement of Liberty and the Pearl Group Sellers. After the closing, any amendment, modification or supplement will require the consent of the Liberty representative appointed for such purposes.

Fees and Expenses

Each of Liberty and the Pearl Group Sellers will pay all of their own transaction expenses.

Dispute Resolution

All disputes arising in connection with the Pearl Group Purchase Agreement will be finally settled by arbitration conducted in accordance with the rules of the International Chamber of Commerce.

Governing Law

The Pearl Group Purchase Agreement is governed by the laws of England and Wales.

Regulatory Matters

The Acquisition and the transactions contemplated by the Purchase Agreements are not subject to any Cayman Islands or Dutch regulatory requirement or approval, except for filings necessary to consummate the transactions contemplated by the Acquisition Proposal, the Name Change Proposal, the Authorized Share Capital Proposal and the M&AA Amendment and Restatement Proposal, and the filing of this proxy and consent solicitation statement with the AFM and Euronext.

In the U.K., FSMA requires any person who decides to acquire or increase control (as defined in FSMA) over a U.K. authorized person (which there are within the Pearl Group (including, but not limited to, Pearl)) to notify and obtain the FSA's prior approval. The FSA has 60 days in which to rule on such an application. The notice and application for approval will be filed with the FSA as promptly as practicable following the date of this proxy and consent solicitation statement. In addition, a person who decides to reduce control over a U.K. authorized person must notify the FSA. Failure to comply with the above requirements may constitute an offence under FSMA.

In Bermuda, under the provisions of the Exchange Control Act 1972 and related regulations, the issue or transfer of securities in an "exempted company" (such as Opal Re), requires specific permission from the BMA. A letter requesting such permission in relation to the transfer of shares in Opal Re pursuant to the Acquisition was filed with the BMA on June 19, 2009.

THE OPAL RE PURCHASE AGREEMENT

The following summary of the material provisions of the Opal Re Purchase Agreement is qualified by reference to the complete text of the Opal Re Purchase Agreement, a copy of which is attached as Annex B to this proxy and consent solicitation statement. All shareholders and warrant holders are encouraged to read the Opal Re Purchase Agreement in its entirety for a more complete description of the terms and conditions of the acquisition of Opal Re.

The Opal Re Purchase Agreement has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any factual information about Liberty or Opal Re. The warranties and covenants contained in the Opal Re Purchase Agreement were made only for purposes of such agreement and as of the specific dates set forth therein, were solely for the benefit of the parties to the Opal Re Purchase Agreement, and may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Opal Re Purchase Agreement, instead of establishing these matters as facts, and such warranties and covenants may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors and security holders are not third party beneficiaries under the Opal Re Purchase Agreement, and should not rely on the warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or conditions of Liberty or Opal Re. Moreover, information concerning the subject matter of the warranties may change after the date of the Opal Re Purchase Agreement, which subsequent information may or may not be fully reflected in Liberty's public disclosure.

Structure of the Opal Re Acquisition

The Opal Re Purchase Agreement, which was signed on June 27, 2009, provides for the acquisition by Liberty of all of the outstanding equity interests of Opal Re in exchange for Class B ordinary shares of Liberty (the **"Opal Re Acquisition"**). The Opal Re Acquisition has been structured to achieve a number of business, regulatory, tax and other objectives of Liberty and the Opal Re Sellers.

The Opal Re Sellers are O-Re Holdings UK Limited and Opal-Re Holdings (Netherlands) B.V.

The representations, warranties, covenants, indemnities, thresholds, termination provisions and other provisions contained in the Opal Re Purchase Agreement are substantially similar to the representations, warranties, covenants, indemnities, claim, thresholds, termination provisions and other provisions contained in the Pearl Group Purchase Agreement, except as described below.

Acquisition Consideration

At the closing, and subject to adjustment as described below, Liberty will issue 2,481,064 newly issued Class B ordinary shares of Liberty to the Opal Re Sellers in consideration for all of the outstanding equity interests of Opal Re. In addition, following the closing, Liberty will issue up to 2,198,970 ordinary shares to the Opal Re Sellers, subject to certain contingencies as described below under "Agreements Related to the Acquisition — Contingent Consideration Agreement."

As in the Pearl Group Purchase Agreement, 50% of the Class B ordinary shares issued as consideration for Opal Re may not be converted until the expiration of the survival period for warranty claims under the Pearl Group Purchase Agreement and the Opal Re Purchase Agreement (see "The Pearl Group Purchase Agreement — Liabilities for Breaches of Warranties").

Based on the closing sale price of our ordinary shares on the Record Date (which is June 27, 2009) of €9.70 per share, the aggregate value of the consideration payable to the Opal Re Sellers in the Opal Re Acquisition, including all contingent shares will be approximately €45.4 million.

Warranties

The Opal Re Purchase Agreement contains a number of warranties made by the Opal Re Sellers, on the one hand, and Liberty, on the other hand, to each other. The warranties contained in the Opal Re Purchase Agreement are substantially the same as the warranties contained in the Pearl Group Purchase Agreement, except as follows:

- the warranty made by the Opal Re Sellers relating to employment and employee benefits matters is more limited than in the Pearl Group Purchase Agreement because of the limited number of employees of Opal Re;
- the warranty made by the Opal Re Sellers relating to pension arrangements is more limited than the one in the Pearl Group Purchase Agreement, again because of the limited number of employees of Opal Re; and
- the warranties made by Liberty do not include warranties as to the Trust Account.

Covenants

The parties to the Opal Re Purchase Agreement have agreed to perform certain covenants in the Opal Re Purchase Agreement. The covenants contained in the Opal Re Purchase Agreement are substantially the same as the covenants contained in the Pearl Group Purchase Agreement, except as follows.

Conduct of Business. The Opal Re Purchase Agreement does not contain a covenant relating to making contributions to defined benefits plans.

Directors and Officers of Liberty After Closing. The Opal Re Purchase Agreement does not contain a covenant relating to the appointment and election of certain officers and directors of Liberty and its subsidiaries.

Directors' and Officers' Insurance. The Opal Re Purchase Agreement does not contain a covenant relating to directors' and officers' liability insurance.

Pearl Group Reorganization, Debt Restructuring, Pension Reorganization and Related Party Arrangements. The Opal Re Purchase Agreement does not contain a covenant relating to the corporate reorganization of the Pearl Group, the restructuring of the Pearl Acquisition Credit Facility and the Impala Acquisition Credit Facility, the satisfaction of the conditions set out in a pensions agreement between Pearl and the Pearl Group Pension Scheme trustee dated June 26, 2009 and the modification or termination of the Pearl Group's related party agreements.

Pearl Deferred Cash Plan. The Opal Re Purchase Agreement does not contain a covenant relating to the vesting of awards under its equity-based incentive arrangements as a result of the Acquisition.

Liability for Breaches of Warranties

As in the Pearl Group Purchase Agreement, after the closing, the Pearl Group Sellers and the Opal Re Sellers will be liable to Liberty for all damages arising from any breach of any warranty made by the Opal Re Sellers in the Opal Re Purchase Agreement. Liberty will be liable to the Opal Re Sellers for all damages arising from any breach of any warranty made by Liberty in the Opal Re Purchase Agreement. Claim thresholds, baskets, caps and procedures are substantially the same as in the Pearl Group Purchase Agreement.

AGREEMENTS RELATED TO THE ACQUISITION

Contingent Consideration Agreement

In addition to the Class B ordinary shares to be issued pursuant to the Purchase Agreements, Liberty and the Sellers entered into a Contingent Consideration Agreement, dated June 27, 2009 (the **"Contingent**

Consideration Agreement"), pursuant to which Liberty agreed to issue to the Sellers and the Selling Shareholders an additional 26,500,000 ordinary shares under the following circumstances:

- 8,833,333 ordinary shares will be issued within three trading days of the volume weighted average price of Liberty's ordinary shares attaining, and remaining above for 20 consecutive trading days, €13 per share;
- 8,833,333 ordinary shares will be issued within three trading days of the volume weighted average price of Liberty's ordinary shares attaining, and remaining above for 20 consecutive trading days, €14 per share; and
- 8,833,334 ordinary shares will be issued within three trading days of the volume weighted average price of Liberty's ordinary shares attaining, and remaining above for 20 consecutive trading days, €15 per share.

The ordinary shares to be issued pursuant to the Contingent Consideration Agreement are not payable until one year after the consummation of the Acquisition, regardless of whether the above conditions for issuance have been satisfied. Notwithstanding the foregoing, the ordinary shares to be issued under the Contingent Consideration Agreement become payable immediately prior to a change of control of Liberty or a sale of all or substantially all of the assets of Liberty.

The threshold prices in the Contingent Consideration Agreement, pursuant to which the ordinary shares become issuable, are subject to adjustment pursuant to certain standard anti-dilution provisions. The number of ordinary shares issuable under the Contingent Consideration Agreement is subject to adjustment pursuant to anti-dilution provisions relating to changes in share capital and issuance of bonus shares. In addition, but to the exclusion of other anti-dilution provisions, the threshold prices in the Contingent Consideration Agreement are subject to adjustment in the event that dividends are paid which are attributable to ordinary course trading revenue. To that end, the threshold prices will be reduced by 50% of the amount of each dividend paid per share during the first two years following the consummation of the Acquisition, by 75% of the amount of each dividend paid per share during the third year following the consummation of the Acquisition and by 100% of each dividend paid per share each year thereafter.

Under the Contingent Consideration Agreement, Liberty has agreed to use all reasonable endeavors to list on the main market of the London Stock Exchange (or failing that, Euronext) any ordinary shares which it issues pursuant to the Contingent Consideration Agreement.

Each of the Sellers has the one-time irrevocable right to elect to convert, in respect of the ordinary shares that may be issued to it pursuant to the Contingent Consideration Agreement, the base currency for the threshold prices above from euros to pounds sterling.

The Contingent Consideration Agreement terminates seven years following the consummation of the Acquisition.

Sellers' Relationship Agreement

Liberty has entered into a Relationship Agreement (the **"Sellers' Relationship Agreement"**) with the Sellers, dated June 27, 2009. The Sellers' Relationship Agreement is governed by English law and will become effective at closing of the Acquisition.

Listing of Shares

Under the Sellers' Relationship Agreement, Liberty has agreed to use all reasonable endeavors to cause all of the ordinary shares of Liberty, or any successor holding company, including those into which the Class B ordinary shares will convert, to be admitted to trading on the main market of the London Stock Exchange on or before June 30, 2010, or such later date as Liberty and the Sellers may agree.

If Liberty has not been able to list its ordinary shares on the London Stock Exchange by June 30, 2010, it is then required to use all reasonable endeavors to cause the ordinary shares held by the Sellers and the Selling Shareholders (including any Class B ordinary shares which will be converted into ordinary shares) which have not been admitted to trading on Euronext or the London Stock Exchange at such date to be admitted to trading

on Euronext (or any other stock exchange on which Liberty's ordinary shares may then be listed or traded) by September 30, 2010.

Prior to Liberty's listing on the main market of the London Stock Exchange, it must use all reasonable endeavors to maintain the listing of its ordinary shares on Euronext.

Orderly Market

The Sellers have agreed to, and have agreed to cause the Selling Shareholders to, effect any disposal of the ordinary shares, or the Class B ordinary shares which are to be converted into ordinary shares, held by them on a best price and execution basis and in such orderly manner as Liberty may reasonably require, and through Liberty's broker from time to time with a view to maintaining an orderly market in Liberty's shares.

Corporate Governance

Under the Sellers' Relationship Agreement, Hugh Osmond and Manjit Dale will be appointed as directors of Liberty on closing of the Acquisition.

In addition, under the Sellers' Relationship Agreement, the Sellers shall have the right to nominate a person for appointment by Pearl as a non-executive director of Pearl subject to the fact that, prior to such nomination, the Sellers must consult with Liberty in good faith as to the suitability of such candidate. Further, the Sellers will not be entitled to nominate or appoint any individual who has any material connections with any business which is a material competitor to the Pearl Group's business or who Liberty reasonably considers is likely to be adverse to the interests of Pearl Group.

Preemptive Rights

Under the Sellers' Relationship Agreement, Liberty has provided preemptive rights to the Sellers which are the same as the preemptive rights granted to the Lenders under the Lender Relationship Agreement (see "— Lender Relationship Agreement — Preemptive Rights").

Capital Distributions

Under the Sellers' Relationship Agreement, Liberty has agreed not to declare, make or pay any Capital Distributions (as defined in the Contingent Consideration Agreement and which term excludes any dividends payable out of distributable profits arising from ordinary course trading revenues of the Pearl Group) without the prior consent of the Sellers for so long as the Contingent Consideration Agreement remains in effect.

Rights Offer Subscription Agreement

Pursuant to the Pearl Group Purchase Agreement, the Pearl Group Sellers have agreed to use their reasonable endeavors to cause TC1 and TC2 to conduct a rights offering to their respective shareholders in order to raise approximately £72 million. Liberty has the right to approve all documents used in connection with such rights offering.

If the rights offering fails to raise the full amount of funds contemplated by the rights offering, Sun Capital and TDR Capital have agreed with TC1 and TC2, pursuant to a related subscription agreement, dated June 27, 2009, to subscribe for shares in TC1 and TC2 in the amount of any shortfall up to a maximum of approximately £23.5 million and £48.5 million respectively (and, pursuant to the Pearl Group Purchase Agreement, have agreed with Liberty to do so).

Contingent Subscription Agreement

On June 27, 2009, we entered into a Contingent Subscription Agreement with our Sponsors (the **"Contingent Subscription Agreement"**) in order to help assure that the amount of cash available to be provided to the Pearl Group as of the date of completion of the Acquisition will be at least equal to £450 million. Pursuant to the Contingent Subscription Agreement, our Sponsors have agreed to subscribe for,

immediately prior to closing of the Acquisition, such number of Class B ordinary shares with an aggregate purchase price equal to the difference between (i) £450 million and (ii) cash available to Liberty as of completion of the Acquisition (after taking into account all amounts payable by us in connection with the redemption rights) subject to a cap of £75 million determined by applying a €1.145 to £1.00 exchange rate. The price payable per share will be equal to the redemption price payable to holders of Public Shares who properly exercise their redemption rights (approximately €9.93 per share as at the date of this proxy and consent solicitation statement). No shares will be required to be purchased under the Contingent Subscription Agreement if Liberty has at least £450 million in available cash as of closing of the Acquisition or if the Acquisition is not completed for any other reason.

As a fee for our Sponsors agreeing to the purchase Class B ordinary shares under the Contingent Subscription Agreement, if the Acquisition is completed, we will be required to issue to our Sponsors or such third parties as they direct an additional 1,000,000 Class B ordinary shares. We will only be required to issue these additional shares at such time as the third tranche of ordinary shares become issuable under the Contingent Consideration Agreement. In addition, such shares will be subject to the adjustment provisions set forth in the Contingent Consideration Agreement as if such provisions applied to such fee shares. The shares will be issued to our Sponsors either pro rata to number of Class B ordinary shares actually subscribed for by our Sponsors or their designees or, if the Sponsors are not required to subscribe for such Class B ordinary shares, then as otherwise agreed by the Sponsors.

Opal Re Funding and Dividend Contribution Agreement

Liberty, Opal Re and ABN AMRO N.V., London Branch (**"ABN AMRO"**), as agent for the Pearl Lenders, have entered into the Opal Re Contribution Agreement, dated June 27, 2009, which is governed by English law. Conditional upon, and immediately following completion of the Acquisition, Liberty will pay to Opal Re, by way of capital contribution, the sum of £60 million. Opal Re has agreed that it shall use the capital contribution of £60 million in performing its obligations under any reinsurance agreements in force from time to time between Opal Re and any of Pearl Assurance, London Life and NPI.

Following completion of the Acquisition, and until such time as all amounts outstanding under the Pearl Facility Agreement have been repaid, Opal Re has agreed to declare in favor of Liberty, subject to payment of such monies in accordance with the Opal Re Contribution Agreement, such dividends as its directors believe are commercially reasonable.

Following completion of the Acquisition, and until such time as ABN AMRO gives notice to Opal Re that all amounts owed by the Pearl Borrowers under the Pearl Facility Agreement have been repaid, Liberty has directed that Opal Re pay to the Pearl Borrowers any amount which would otherwise have been paid by Opal Re to Liberty. Moreover, Liberty has agreed that it will not revoke or amend such direction without the consent of ABN AMRO. Following completion of the Acquisition, if Liberty receives any amount from Opal Re at a time when there remain amounts owed by the Pearl Borrowers under the Pearl Facility Agreement, Liberty will pay such amount to the Pearl Borrowers immediately by way of capital contribution.

Credit Facilities

In connection with the closing of the Acquisition, the Pearl Group's two existing credit facilities will be amended and restated as summarised below.

Pearl Facility

The Pearl Borrowers, who together own 100% of the equity interests in Pearl, are borrowers under the existing Amended and Restated Pearl Acquisition Credit Facility Agreement pursuant to an existing facility agreement (the **"Pearl Acquisition Credit Facility Agreement"**), as entered into with the Pearl Lenders, the bookrunners, the arrangers, the agent (the **"Pearl Acquisition Credit Facility Agent"**) and the security trustee described therein. Currently, loans aggregating £825 million in principal are outstanding under the Pearl Acquisition Credit Facility Agreement.

On the closing date of the Acquisition, the £825 million principal amount outstanding under the Pearl Acquisition Credit Facility Agreement will be restructured pursuant to the Implementation Agreement and the Pearl Acquisition Credit Facility Agreement as amended and restated following satisfaction of the conditions set out in the amendment and restatement agreement dated June 27, 2009 among the Pearl Borrowers, the Pearl Lenders, the bookrunners, the arrangers and the Pearl Acquisition Credit Facility Agent (the **"Amended and Restated Pearl Acquisition Credit Facility Agreement"**) as follows:

(1) the Pearl Lenders will assign to us all their rights, title, interest and benefit in and to £325 million of principal due under the Pearl Acquisition Credit Facility Agreement (the **"Liberty Subordinated Debt"**) (subject to such debt being unsecured and subordinated as described below) and upon such assignment, such amount will no longer constitute part of the Pearl Acquisition Credit Facility and we will have no rights as a lender under the Pearl Acquisition Credit Facility Agreement, including no benefit of any security granted by the Pearl Borrowers pursuant to the terms of the Pearl Acquisition Credit Facility Agreement and following such assignment, the Liberty Subordinated Debt may be waived, capitalized or left in place;

(2) the Pearl Borrowers will satisfy and discharge £75 million of principal due under the Pearl Acquisition Credit Facility Agreement by issuing to the Pearl Lenders (i) £37.5 million of principal loan notes of HIOL and (ii) £37.5 million of principal loan notes of SCIL (collectively, the **"Lender Loan Notes"**); and

(3) £425 million in principal amount will remain outstanding under the Amended and Restated Pearl Acquisition Credit Facility Agreement.

Any interest which is due but unpaid under the Pearl Acquisition Credit Facility Agreement for the period up to (but not including) the closing date of the Acquisition shall be paid on the date of closing or as soon as practicable thereafter, subject to there being sufficient cash resources available to make such payment and the absence of any objection of the FSA to the making of such payment. In any event, such payment shall be made no later than December 31, 2009.

Liberty Subordinated Debt

Upon assignment from the Pearl Lenders to us, the £325 million of Liberty Subordinated Debt will be converted into and treated as a specific class of intra-group debt for the purposes of the Pearl Intercreditor Agreement (as defined below) and shall be subordinated to the outstanding indebtedness under the Amended and Restated Pearl Acquisition Credit Facility Agreement and the Lender Loan Notes.

Lender Loan Notes

The Lender Loan Notes will be issued by the Pearl Borrowers pursuant to separate Lender Loan Note instruments. Each of the Pearl Borrowers will guarantee the indebtedness of the other under such Lender Loan Notes and will grant a second priority pledge of all of their respective assets in support of their respective obligations under the Lender Loan Notes.

The principal amount of the Lender Loan Notes will be payable on the Maturity Date (the **"Maturity Date"**), which will be the fifteenth anniversary of the closing date of the Acquisition, as such Maturity Date may be extended at the option of any holder of Lender Loan Notes upon the occurrence of certain events, including without limitation certain mergers, reorganizations or asset dispositions by us (a **"Major Transaction"**).

The Lender Loan Notes will bear interest at a rate that is equal to the sum of (i) LIBOR plus 1.00% and (ii) the Loan Note Mandatory Cost, if any (plus an additional 1.00% when overdue). The **"Loan Note Mandatory Cost"** is an addition to the interest rate designed to compensate the Lender Loan Note holders for the costs of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank. Interest will be payable semi-annually and may, at the option of the relevant Pearl Borrower, be capitalised and added to the principal amount.

Upon the occurrence of a Major Transaction, the Lender Loan Notes will be redeemable at the option of the holders thereof, at a price equal to the sum of the principal amount (including rolled-up interest) of such Lender Loan Notes, any accrued and unpaid interest and any late charges thereon.

The Pearl Borrowers will make certain representations and warranties and agree to be bound by certain covenants (including the financial covenants in the Amended and Restated Pearl Acquisition Credit Facility Agreement) by incorporating the same by way of reference into the Lender Loan Notes. The events of default include failure to pay any amount payable pursuant to the Lender Loan Notes (which default, if caused by an administrative error only, is not cured within three business days) and a cross-default to certain provisions of the Amended and Restated Pearl Acquisition Credit Facility Agreement.

Amended and Restated Pearl Acquisition Credit Facility Agreement

The Amended and Restated Pearl Acquisition Credit Facility Agreement will provide for £425 million principal amount of indebtedness (the **"Pearl Senior Debt"**) with a termination date of June 30, 2016 (the **"Termination Date"**). The Pearl Senior Debt will be subject to five mandatory repayments of £25 million on June 30th of each year from 2011 through 2015, with £300 million (or such lesser amount as may then be outstanding) due and payable on the Termination Date. The Pearl Borrowers may from time to time voluntarily prepay the Pearl Senior Debt in whole or in part, in minimum amounts of £2 million. The Pearl Senior Debt will also be subject to mandatory cash-sweep redemption payment, by means of the application of any available annual Surplus Amount (as defined and further described below) and other specified proceeds.

The Pearl Senior Debt will bear interest at a rate that is equal to the sum of (i) LIBOR plus 1.25% and (ii) the Senior Debt Mandatory Cost, if any. The **"Senior Debt Mandatory Cost"** is an addition to the interest rate designed to compensate the Pearl Lenders for the costs of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank. The Pearl Borrower may select interest periods of three, six, nine or 12 months.

Restricted Distributions and Payments

Subject to the exceptions described below, the Amended and Restated Pearl Acquisition Credit Facility Agreement will provide that neither Pearl Borrower, nor any of their subsidiaries, excluding Impala (collectively, the **"Pearl Covenant Group"**), may:

- pay or prepay any principal, interest or other amount in respect of (x) certain specified intercompany debt or (y) indebtedness owing to us and certain of our affiliates and other related parties (collectively, the **"Restricted Persons"**); or
- make any investment in, or pay any fee, advance or other payment to, any Restricted Person.

Further, subject to the exceptions described below, the Pearl Borrowers may not:

- declare or pay any dividend or other distribution of any kind on or in respect of any of their shares; or
- purchase, repay, cancel or redeem any of their respective shares.

Subject to the conditions described below, such restrictions on distributions and payments will not apply to, among other things, the following payments:

- a payment of £2.5 million per annum for our head office and administrative costs; and
- payments to us may be made (directly or indirectly) from the net cashflows of the Pearl Covenant Group (including the amount received by the Pearl Borrowers from Opal Re in respect of profits under the Opal Re Contribution Agreement), net of a buffer amount of £50.0 million (the **"Surplus Amount"**), provided that:
  - the maximum amount permitted to be paid to us (directly or indirectly) in any one year may not exceed £48.0 million in each of 2010 and 2011 or £60.0 million in each year thereafter; and
  - all remaining Surplus Amount shall be applied to the prepayment of Pearl Senior Debt.

- once at least 10% of the Pearl Senior Debt (or such other percentage as may be agreed in writing by the Pearl Lenders) has been prepaid by application of any Surplus Amounts, the Pearl Lenders (unanimously and at their discretion) may consider to permit 50% of the Surplus Amount in excess of such £60.0 million to be applied (directly or indirectly) to such payments.

Notwithstanding the provisions described above, the Amended and Restated Pearl Acquisition Credit Facility Agreement will further provide that no payments may be made to us unless the following conditions, among others, are satisfied:

- no default is continuing under the Amended and Restated Pearl Acquisition Credit Facility Agreement;
- none of the specified financial covenants have been breached (including certain financial covenants the breach of which will not cause an event of default under the Amended and Restated Pearl Acquisition Credit Facility Agreement but which will prevent payments being made to us);
- all amounts of interest outstanding in relation to the Amended and Restated Pearl Acquisition Credit Facility Agreement have been paid;
- the value of the assets in the accounts of NewCo are greater than the value required to be retained by NewCo in accordance with a contingent loan facility agreement pursuant to which NewCo has agreed to provide loans to certain of the life company subsidiaries of Pearl (the "**Contingent Loan Facility Agreement**");
- on any date on which any such payment is proposed or required to be made, certain capital resources reserve requirements applicable to corporate groups that own insurance companies are satisfied by the Pearl Covenant Group as of the last day of the previous calendar month; and
- the FSA has not imposed any requirement or taken other actions which would reasonably be expected to prevent any material member of the Pearl Covenant Group from making a payment to any other member of the Pearl Covenant Group or any Pearl Borrower from making any required payment to the Pearl Lenders.

The payments permitted to be made to us may be paid in any manner, directly or indirectly, including but not limited to, repayment under or entry into any debt arrangements with us and the Pearl Covenant Group or by way of dividend.

Where such Surplus Amount is not applied to the making of such payments to us as the result of an outstanding default, such Surplus Amount is to be deposited into a blocked account with the Pearl Acquisition Credit Facility Agent or security trustee and may only be released to us from such blocked account once such default has been cured. Where such payments to us were stopped for any of the reasons listed above other than a default, the money shall be retained within the Pearl Covenant Group.

Representations, Warranties and Covenants

The Amended and Restated Pearl Acquisition Credit Facility will contain, among other terms, representations and warranties, covenants and events of default customary for loan agreements for similar financings.

Affirmative covenants, subject to customary terms and conditions and other negotiated exceptions, will require the Pearl Borrowers to, among other things:

- provide to the Pearl Acquisition Credit Agreement Facility Agent annual and semi-annual financial statements and relevant compliance certificates relating to the relevant financial covenants demonstrating (amongst other things) compliance with such financial covenants;
- maintain the funding of all Pearl Covenant Group pension schemes substantially in accordance with the governing provisions of such scheme where failure to do so could cause a material adverse effect;

- ensure that the financial covenants are met, including:

  (i) a ratio of (a) the aggregate principal amount of the Pearl Senior Debt to (b) the sum of Pearl's embedded value, *plus* the amount owed to NewCo under the Contingent Loan Facility Agreement *plus* the value of assets held in the accounts of NewCo *minus* 1.3 times a security claim amount in favor of the Pearl Group Pension Scheme;

  (ii) a ratio of (a) certain projected Pearl Covenant Group cashflows and free cash to (b) certain scheduled Pearl Covenant Group debt payment obligations;

  (iii) a ratio of (a) certain Pearl Covenant Group indebtedness outstanding to (b) the adjusted embedded value of the Pearl Covenant Group;

  (iv) a ratio of (a) certain Pearl Covenant Group historical cash flows to (b) certain Pearl Covenant Group historical debt service; and

- ensure that the capital resources of NewCo and the Pearl Covenant Group and certain members thereof exceed certain levels on a monthly basis.

Restrictive covenants, subject to customary terms and conditions and other negotiated exceptions, will include limitations on:

- amalgamation, demerger, merger, consolidation or corporate reconstruction (other than a permitted merger);
- changes in business (including any new business that is not a long-term insurance business);
- investments, loans and guarantees;
- entering into, or investing in, any joint venture;
- granting security over any assets;
- asset dispositions;
- amending certain inter-company loan agreements or entering into outsourcing arrangements;
- entering into certain hedging arrangements;
- transactions with affiliates; and
- the business, assets and liabilities of NewCo.

Events of Default

The events of default under the Amended and Restated Pearl Acquisition Credit Facility Agreement will include the following:

- a Pearl Borrower fails to pay any amount payable pursuant to the Amended and Restated Pearl Acquisition Credit Facility Agreement or related finance documents (and such default, if caused by an administrative error only, is not cured in three business days);
- a breach of certain financial covenants subject to a 45-day grace period in certain cases or an equity cure right in others;
- a Pearl Borrower does not comply with any other provision of the Amended and Restated Pearl Acquisition Credit Facility Agreement or related finance documents, (and such failure to comply is not cured within 15 business days);
- any representation or statement made or deemed to be made by a Pearl Borrower in the Amended and Restated Pearl Acquisition Credit Facility Agreement or related finance documents or security documents is incorrect or misleading (and such misrepresentation is not cured within 15 business days);

- certain default, acceleration and/or cancellation events with regard to other financial indebtedness of members of the Pearl Covenant Group or of lender commitments with respect thereto (provided that the aggregate amount of relevant indebtedness or commitment is £5.0 million or more);
- certain bankruptcy or insolvency events occur with respect to a Pearl Borrower or a material subsidiary;
- any expropriation, attachment or analogous process affects any material asset of a Pearl Borrower or a material subsidiary in relation to indebtedness of at least £5 million and is not discharged within 15 business days;
- any security document or any guarantee in or any subordination under the Amended and Restated Pearl Acquisition Credit Facility Agreement or certain related finance documents is not in full force and effect or any security document does not create for the benefit of the Pearl Lenders the security which it is expressed to create;
- any party (other than a lender or a hedging bank) fails to comply with its obligations under the Pearl Intercreditor Agreement and, in the opinion of the Pearl Majority Lenders, the interests of the Pearl Lenders under the Amended and Restated Pearl Acquisition Credit Facility Agreement or any related finance document are materially prejudiced by such failure;
- any Pearl Borrower repudiates or evidences an intention to repudiate the Amended and Restated Pearl Acquisition Credit Facility Agreement or any related financing document;
- any of the constitutional documents of a Pearl Borrower, certain agreements relating to Opal Re, or the Contingent Loan Facility Agreement are terminated or breached or amended in a manner that would reasonably be expected to be materially adverse to the interests of the Pearl Lenders;
- any person (other than a Lender) breaches or repudiates any of the Contingent Fee Agreement, the Implementation Agreement or certain other agreements (unless remedied within any originally applicable grace periods under such documents);
- any party (other than a Pearl Lender or Impala Lender or a hedging bank) to the Relationship Agreement breaches certain specified provisions of the Relationship Agreement (unless remedied within the specified grace period);
- the auditors of the Pearl Covenant Group qualify their report on any audited consolidated financial statement of the Pearl Covenant Group or any audited financial statement of any Pearl Borrower in a manner and to an extent considered by the majority Pearl Lenders to be materially adverse to their interests;
- any litigation, arbitration, proceeding or dispute is started or threatened or there are any circumstances likely to give rise to any such proceeding, in each case which is reasonably likely to be adversely determined and would reasonably be expected to have a material adverse effect; and
- any event or circumstance occurs which has or would have a material adverse effect on or a material adverse change in the financial condition, assets or business of the Pearl Covenant Group taken as a whole, the ability of either Pearl Borrower to comply with its payment obligations or the financial covenants under the Amended and Restated Pearl Acquisition Credit Facility Agreement, the validity, legality or enforceability of the Amended and Restated Pearl Acquisition Credit Facility Agreement or certain related financing documents or the validity, legality or enforceability of any security expressed to be created under the related security documents or the priority of any such security.

Guarantees and Security

Each of the Pearl Borrowers have guaranteed the indebtedness and obligations of the other under the Amended and Restated Pearl Acquisition Credit Facility Agreement and certain related financing documents, and have charged all of their assets, including without limitation their respective bank accounts and all book or other debts, including under a loan agreement among the Pearl Borrowers (as borrowers) and Pearl (as lender) (the **"Pearl Borrower Collateral"**) in support of their respective obligations under the Amended and

Restated Pearl Acquisition Credit Facility Agreement. The obligations of the Pearl Borrowers under the Lender Loan Notes will be secured by a second-ranking charge executed by the Pearl Borrowers with respect to the Pearl Borrower Collateral.

Intercreditor Agreement

The Pearl Borrowers will enter into an Amended and Restated Intercreditor Agreement (the **"Pearl Intercreditor Agreement"**) with certain parent entities and other members of the Pearl Covenant Group, the Pearl Lenders, the Pearl Acquisition Credit Facility Agent, the security trustee and the counterparties to certain hedging agreements entered into with certain members of the Pearl Covenant Group. The Pearl Intercreditor Agreement will provide that the obligations of the Pearl Borrowers under the Pearl Senior Debt and such hedging agreements will be senior in right of payment to the Lender Loan Notes, the Liberty Subordinated Debt and all other intercompany debt of ourselves and our subsidiaries (the **"Liberty Intercompany Debt"**). The Lender Loan Notes will be subordinated to the Pearl Senior Debt, but senior to the Liberty Subordinated Debt and all other Liberty Intercompany Debt. Neither the holders of the Lender Loan Notes nor the holders of any Liberty Intercompany Debt may take any enforcement action or certain other specified actions with respect to such indebtedness so long as the Pearl Senior Debt is outstanding without the consent of the holders of two-thirds of the outstanding principal amount of the Pearl Senior Debt. Following the retirement of the Pearl Senior Debt and so long as any Lender Loan Notes remain outstanding, the holders of Liberty Intercompany Debt may not take any enforcement action or certain other specified actions with respect to such indebtedness without the consent of the holders of two-thirds of the outstanding principal amount of the Lender Loan Notes.

Impala Facility

The Impala Borrowers are borrowers under the existing Amended and Restated Impala Acquisition Credit Facility pursuant to an existing facility agreement (the "**Impala Acquisition Credit Facility Agreement**"), as entered into with Impala Borrowers, the Impala Lenders, the bookrunners, the arrangers, the agent (the "**Impala Acquisition Credit Facility Agent**") and the security trustee described therein. Currently, aggregate loans of £2,260 million in principal amount are outstanding under the Impala Acquisition Credit Facility.

The Impala Borrowers together own 25% of Impala.

On the closing date of the Acquisition, the existing Impala Acquisition Credit Facility Agreement will be further amended and restated following satisfaction of the conditions set out in the amendment and restatement agreement dated June 27, 2009 among the Impala Borrowers and the Impala Lenders (the **"Amended and Restated Impala Acquisition Credit Facility Agreement"**). Any due but unpaid interest under the Impala Acquisition Credit Facility for the period up to (but not including) the closing date of the Acquisition must be paid on such date, or as soon as practicable thereafter, subject to there being sufficient cash resources available to make such payment and the absence of any objection from the FSA to such payment. In any event, such interest payment must be made no later than December 31, 2009.

Tranches

The Amended and Restated Impala Acquisition Credit Facility Agreement will be in the aggregate amount of £2,260 million and will consist of the following three tranches:

- Facility A in the amount of £1,275 million;
- Facility B in the amount of £492.5 million; and
- Facility C in the amount of £492.5 million.

The separate tranches will mature on the following dates:

- Facility A: November 30, 2014;
- Facility B: November 30, 2015; and
- Facility C: November 30, 2016.

Amortization and Prepayment

Facility A must be repaid in equal semi-annual installments of £62.5 million, starting on April 30, 2011, with the remaining balance being due on the relevant final maturity date. Facility B and Facility C will be non-amortizing, with the entire balance being due on the relevant maturity date. The Amended and Restated Impala Acquisition Credit Facility Agreement is prepayable, at any time, in whole or in part, in minimum amounts of £2 million.

The Amended and Restated Impala Acquisition Credit Facility Agreement will also impose a mandatory cash-sweep redemption payment, (as described below). Both voluntary and mandatory prepayment shall be applied first to prepay the Facility A loans in full, second to prepay the Facility B loans in full and last to prepay the Facility C loans in full.

Interest

Until the fourth anniversary of the closing date of the Acquisition, the tranches of the Impala Acquisition Credit Facility Agreement will bear interest as follows:

- Facility A: the sum of:

  (i) LIBOR plus 1%;

  (ii) 1% (the "**PIK Margin**"); and

  (iii) an additional percentage to compensate the Impala Lenders for the costs of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank (the "**Mandatory Cost Percentage**").

- Facility B: the sum of:

  (i) LIBOR plus 1.25%;

  (ii) 0.75% PIK Margin; and

  (iii) the applicable Mandatory Cost Percentage.

- Facility C: the sum of:

  (i) LIBOR plus 1.75%;

  (ii) 0.25% PIK Margin; and

  (iii) the applicable Mandatory Cost Percentage.

Prior to the third anniversary of the closing date of the Acquisition, any unpaid interest in respect of the PIK Margin will be added to the principal amount of the relevant tranche of the Amended and Restated Impala Acquisition Credit Facility Agreement (the "**Rolled-Up Interest**"). The Rolled-Up Interest will accrue interest together with the rest of the outstanding principal.

From and after the fourth anniversary of the closing date of the Acquisition, the tranches of the Amended and Restated Impala Acquisition Credit Facility Agreement will bear interest as follows:

- Facility A: the sum of:

  (i) LIBOR plus 2.5%; and

  (ii) the applicable Mandatory Cost Percentage.

- Facility B: the sum of:

  (i) LIBOR plus 3.25%; and

  (ii) the applicable Mandatory Cost Percentage.

- Facility C: the sum of:

  (i) LIBOR plus 3.75%; and

  (ii) the applicable Mandatory Cost Percentage.

The Impala Borrowers may select interest payment periods of three, six, nine or 12 months.

Restricted Distributions and Payments

Subject to the exceptions described below, the Amended and Restated Impala Acquisition Credit Facility Agreement will provide that none of the Impala Borrowers, Impala, nor their respective subsidiaries (collectively, the "**Impala Group**"), may:

- pay or prepay any principal, interest or other amount in respect of (x) certain specified intercompany debt or the Rome Notes or (y) indebtedness owing to us and certain of our affiliates and other related parties (collectively, the "**Restricted Persons**"); or
- make any investment in, or pay any fee, advance or other payment to, any Restricted Person.

Further, subject to the exceptions described below, the Impala Borrowers may not:

- declare or pay any dividend or other distribution of any kind on or in respect of any of their shares; or
- purchase, repay, cancel or redeem any of their respective shares.

Subject to the conditions described below, such restrictions on distributions and payments will not apply to, among other things, the following payments:

- a payment of £2.5 million per annum for our head office and administrative costs; and
- payments to us of a portion (being 66⅔% in each of 2010 and 2011 and 50% during 2012 and each year thereafter) may be made (directly or indirectly) from the net cashflows of the Impala Group, net of a buffer amount of £100 million (the "**Surplus Amount**"), provided that:
  - the maximum amount permitted to be paid to us (directly or indirectly) in any one year may not exceed a specified payment limit for such year;
  - an amount equal to (i) 50% (in each of 2010 and 2011) of the amount permitted to be paid to us and (ii) the amount of Surplus Amount permitted to be paid to us (during 2012 and each year thereafter) is applied in prepayment of the Impala Senior Debt; and
  - the balance of the Surplus Amount which is not permitted to be paid to us (or which has not been applied in prepayment in accordance with the aforementioned cash swap provision (the **"Balance"**) is applied in prepayment of the Impala Senior Debt, unless the Impala Borrowers have elected, subject to certain conditions, use such Balance to redeem all or any part of the £500 million of perpetual reset capital securities, dated 15 November 2005, issued by Pearl Group Holdings (No. 1) Limited (formerly known as Resolution plc), (the "**Rome Notes**").

Notwithstanding the provisions described above, the Amended and Restated Impala Acquisition Credit Facility Agreement will further provide that no payments may be made to us, or used in redeeming any of the Rome Notes, unless the following conditions, among others, are satisfied:

- no default is continuing under the Amended and Restated Impala Acquisition Credit Facility Agreement;
- none of the specified financial covenants have been breached (including certain financial covenants, the breach of which will not cause an event of default under the Amended and Restated Impala Facility Agreement, but which will prevent payments being made to us);

- all amounts of interest outstanding in relation to the Amended and Restated Impala Acquisition Credit Facility Agreement up to (but not including) the closing date of the Acquisition have been paid;
- the amount of the payment is not such that, if the payment had been made immediately prior to the immediately preceding semi-annual calculation date, the aggregate cash and assets held in the accounts of Impala would be less than the value required to be retained by Impala in accordance with any requirement of the FSA;
- on any date on which any such distribution or redemption is proposed or required to be made, certain capital resources reserve requirements applicable to members of the Impala Group were satisfied as of the last day of the previous calendar month; and
- the FSA has not imposed any requirement, or taken other actions, which would reasonably be expected to prevent any material member of the Impala Group from making a payment to any other member of the Impala Group or any Impala Borrower from making any required payment to the Impala Lenders.

If Surplus Amounts are not applied to make distributions (directly or indirectly) to Liberty, or to redeem the Rome Notes, solely as the result of the existence of an outstanding default, such Surplus Amount will be deposited into a blocked account with the Impala Acquisition Credit Facility Agent or security trustee and may only be released from such blocked account (to make such distributions or redemptions) once such default has been cured. Where such payments to us were stopped for any of the reasons listed above other than a default, the money shall be retained within the Impala Group.

The payments permitted to be made to us may be paid in any manner, directly or indirectly, including but not limited to, repayment under or entry into any debt arrangements with us and our subsidiaries or by way of dividend. However, no dividend or other distribution may be paid by Impala at any time.

Representations, Warranties and Covenants

The Amended and Restated Impala Acquisition Credit Facility Agreement will contain, among other terms, representations and warranties, covenants, prepayment provisions and events of default customary for loan agreements for similar financings.

Affirmative covenants, subject to customary terms and conditions and other negotiated exceptions, will require the Impala Borrowers to among other things:

- provide to the Impala Acquisition Credit Agreement Facility Agent annual and semi-annual financial statements and relevant compliance certificates relating to the relevant financial covenants demonstrating compliance with such financial covenants;
- maintain all Impala Group pension schemes in accordance with the governing provisions of such scheme where failure to do so could cause a material adverse effect;
- ensure that the financial covenants are met, such covenants including:
  - (i) a ratio of (a) the aggregate principal amount of the Impala Borrowers' senior debt to (b) the sum of the Impala Group's embedded value (reflecting any liabilities, surpluses or deficits with respect to any pension scheme of any Impala Group member);
  - (ii) a ratio of (a) certain projected Impala Group cashflows and free cash to (b) certain scheduled Impala Group debt payment obligations; and
  - (iii) a ratio of (a) certain Impala Group historical cash flows to (b) certain Impala Group historical debt service; and
- ensure that the capital resources of the Impala Group and certain members thereof exceed certain levels on a monthly basis.

Restrictive covenants, subject to customary terms and conditions and other negotiated exceptions, will include limitations on:

- amalgamation, demerger, merger, consolidation or corporate reconstruction (other than a permitted merger);
- changes in business (including any new business that is not a long-term insurance business);
- investments, loans and guarantees;
- entering into, or investing in, any joint venture;
- granting security over any assets;
- asset dispositions;
- amending certain inter-company loan agreements or entering into outsourcing arrangements;
- entering into certain hedging arrangements; and
- certain transactions with affiliates.

Events of Default

The events of default under the Amended and Restated Impala Acquisition Credit Facility Agreement will include (without limitation) the following:

- an Impala Borrower fails to pay any amount payable pursuant to the Amended and Restated Impala Acquisition Credit Facility Agreement or related finance documents when due (and such default is not cured in three business days);
- a breach of certain specified financial covenants subject to a 45-day grace period in certain cases or an equity cure right in others;
- an Impala Borrower or Pearl does not comply with any other provision of the Amended and Restated Impala Acquisition Credit Facility Agreement or related finance documents (and such default is not cured in 15 business days);
- any representation or statement made or deemed to be made by an Impala Borrower or Pearl in the Amended and Restated Impala Acquisition Credit Facility Agreement or related finance or security documents is incorrect or misleading (and such misrepresentation is not cured in 15 business days);
- certain default, acceleration and/or cancellation events with regards to other financial indebtedness of members of the Impala Group, of lender commitments with respect thereto (provided that the aggregate amount of relevant indebtedness or commitment is £5 million or more);
- certain bankruptcy or insolvency events occur with respect to an Impala Borrower or a material subsidiary;
- any expropriation, attachment or analogous process affects any material asset of an Impala Borrower or a material subsidiary in relation to indebtedness of at least £5.0 million and is not discharged within 15 business days;
- any security document or any guarantee in or any subordination under any Amended and Restated Impala Acquisition Credit Facility Agreement or related finance documents is not in full force and effect or any security document does not create for the benefit of the Impala Lenders the security which it is expressed to create;
- any party (other than a Lender or a hedging bank) fails to comply with its obligations under the Impala Intercreditor Agreement (as defined below) and, in the opinion of the majority Impala Lenders, the interests of the Impala Lenders under the Amended and Restated Impala Acquisition Credit Facility Agreement or any related finance document are materially prejudiced by such failure;

- any Impala Borrower or Pearl repudiates or evidences an intention to repudiate any of the Amended and Restated Impala Acquisition Credit Facility Agreement or related financing documents;

- any of the constitutional documents of an Impala Borrower or certain agreements relating to the Acquisition are terminated or breached or amended in a manner that would reasonably be expected to materially adversely affect the interests of the Impala Lenders;

- any person (other than a Lender) breaches or repudiates any of the Contingent Fee Agreement or the Implementation Agreement (unless remedied within any originally applicable grace periods under such documents);

- any party (other than a Pearl Lender, Impala Lender or a hedging bank) to the Relationship Agreement breaches certain specified provisions of clauses of the Relationship Agreement (unless remedied within the specified grace period);

- the auditors of the Impala Group qualify their report on any audited consolidated financial statement of the Impala Group or any audited financial statement of any Impala Borrower in a manner and to an extent considered by the majority Impala Lenders to be materially adverse to their interests;

- any litigation, arbitration, proceeding or dispute is started or threatened or there are any circumstances likely to give rise to any such proceeding, in each case which is reasonably likely to be adversely determined and would reasonably be expected to have a material adverse effect; and

- any event or circumstance occurs with has or would have a material adverse effect on or a materially adverse change to: the financial condition, assets or business of the Impala Group taken as a whole, the ability of either Impala Borrower to comply with its payment obligations or financial covenants under the Amended and Restated Impala Acquisition Credit Facility Agreement, the validity, legality or enforceability of the Amended and Restated Impala Acquisition Credit Facility Agreement or certain related financing documents or the validity, legality or enforceability of any security expressed to be created under the related security documents or the priority of any such security.

Guarantees and Security

Each of the Impala Borrowers have guaranteed the indebtedness and obligations of the other under the Amended and Restated Impala Acquisition Credit Facility Agreement and certain related financing documents, and have charged all of their assets (including all of the outstanding equity interests in Impala) in support of their respective obligations under the Amended and Restated Impala Acquisition Credit Facility Agreement. The obligations of the Impala Borrowers under the Amended and Restated Impala Acquisition Credit Facility Agreement are also secured by a limited recourse share pledge executed by Pearl over all of the shares it owns in Impala (and any related distributions).

The Impala Intercreditor Agreement

The Impala Borrowers will enter into an Amended and Restated Intercreditor Agreement (the **"Impala Intercreditor Agreement"**) with certain parent entities and other affiliates of the Impala Borrowers, the Impala Lenders, the administrative agent, the security trustee and the counterparties to hedging agreements entered into with certain members of the Impala Group. The Impala Intercreditor Agreement will provide that the obligations of the Impala Borrowers under the Amended and Restated Impala Acquisition Credit Facility Agreement and such hedging agreements will be senior in right of payment to the intercompany debt of ourselves and our affiliates (the **"Impala Intercompany Debt"**). The holders of the Impala Intercompany Debt may not take any enforcement action or certain other specified actions with respect to such Impala Intercompany Debt so long as the senior debt of Impala Borrowers is outstanding, without the consent of the required holders of such senior debt.

Lender Relationship Agreement

Liberty has entered into the Lender Relationship Agreement with the Lenders which also hold shares in Liberty (collectively, the **"Lender Shareholders"**) dated June 27, 2009. The Lender Relationship Agreement is governed by English law and will become effective at completion of the Acquisition.

Listing of Shares

Under the Lender Relationship Agreement, Liberty has agreed to use all reasonable endeavors to cause all of the ordinary shares of Liberty, or any successor holding company, including those into which the Class B ordinary shares will convert, to be admitted to trading on the main market of the London Stock Exchange on or before June 30, 2010, or such later date as Liberty and the Lender Shareholders may agree. Prior to such listing, Liberty must consult and agree with the Lender Shareholders how any proceeds raised from the issue of new ordinary shares in connection with such listing are to be used.

If Liberty has not been able to list its ordinary shares on the London Stock Exchange by June 30, 2010, it is then required to use all reasonable endeavors to cause the ordinary shares held by the Lender Shareholders (including those into which any Class B ordinary shares will convert) which have not been admitted to trading on Euronext or the London Stock Exchange to be admitted to trading on Euronext (or any other stock exchange on which our ordinary shares may then be listed or traded) by September 30, 2010.

Prior to the listing of Liberty's ordinary shares on the main market of the London Stock Exchange, Liberty must use all reasonable endeavors to maintain the listing of the ordinary shares on Euronext.

Lock-Up of Shares

Each of the Lender Shareholders and their affiliates have agreed that, during the period commencing on completion of the Acquisition and ending on the first anniversary of completion (the **"Restricted Period"**), it will not dispose of any interest in the shares, other than certain excluded shares (described below), issued to it at completion of the Acquisition pursuant to the Implementation Agreement, other than to an affiliate. Such restriction will terminate upon the occurrence of a change of control of Liberty.

Notwithstanding the restrictions above, a Lender Shareholder may sell up to 50% of its shares during the Restricted Period to the extent a Lender Shareholder is required to pay taxes that may become payable due to the receipt of such shares.

In addition, the restrictions above will not apply to the following excluded securities: (i) 937,380 ordinary shares and 452,620 Class B ordinary shares that are to be issued by Liberty to the Pearl Lenders; (ii) 2,562,620 ordinary shares and the 1,237,380 Class B ordinary shares that are to be issued by Liberty to the Impala Lenders; and (iii) those Class B ordinary shares that are to be issued upon exercise of the Lenders Warrants and the ordinary shares into which such Class B ordinary shares may be converted. However, the Lender Shareholders have agreed to effect any disposal of such excluded securities on a best price and execution basis through Liberty's broker for the time being and in an orderly manner with a view to maintaining an orderly market in the ordinary shares.

Corporate Governance and Related Matters

Under the Lender Relationship Agreement, Liberty has agreed to afford the Lender Shareholders significant corporate governance rights and approvals.

Liberty must comply with the main principles, supporting principles and provisions of the Combined Code, except to the extent that doing so would conflict with Liberty's obligations under the Lender Relationship Agreement.

We are also required to fully cooperate with each of the reviews recommended in connection with any FSA guidance provided to us and to use reasonable endeavors to implement, to the satisfaction of the FSA, any of the steps recommended by the FSA from time to time.

Following completion of the Acquisition, if a permanent chairman of Liberty's board and any further directors required for the board of directors have not been appointed, Liberty must continue the process commenced under the Implementation Agreement, in consultation with the Lender Shareholders, to appoint a permanent chairman (in place of the interim chairman) and any further required directors, as soon as practicable and in any event before listing on the main market of the London Stock Exchange. The Lender Shareholders may propose candidates for permanent chairman and any further required directors and Liberty must consider such proposals.

No person may be appointed as chairman unless the Lender Shareholders have approved such appointment. If the person appointed as chairman ceases to hold office for any reason, Liberty is required to (i) consult with the Lender Shareholders as to the choice of candidates for such office and (ii) unless the Lender Shareholders agree otherwise, appoint one of the independent non-executive directors of our board of directors to act as chairman pending the appointment of a new chairman. If no independent non-executive director accepts such appointment, the appointment by us of an interim chairman will be subject to the approval of the Lender Shareholders.

If the person appointed as the chief executive officer of the Pearl Group ceases to hold office for any reason prior to the earlier of (i) the expiration of 12 months from completion of the Acquisition and (ii) the date the ordinary shares are approved for listing on either the main market of the London Stock Exchange or Euronext, Liberty must consult with the Lender Shareholders as to the choice of candidates for such office. The appointment by Liberty of any chief executive officer (including any interim or acting chief executive officer) during such period must be approved by the Lender Shareholders.

Under the Lender Relationship Agreement, the Lender Shareholders have the right:

- to nominate a person for appointment by Liberty's board of directors as a non-executive director (the **"Lender Non-Executive Director"**), and to nominate any replacement thereof;
- to nominate a person, expected to be the Lender Non-Executive Director, for appointment by Liberty's board of directors to serve on all committees of the Pearl Group's boards, and to nominate any replacement thereof;
- to nominate a person for appointment by Pearl as a non-executive director of Pearl; and
- to appoint a representative to attend any meeting of the board of directors of Liberty, or any committee thereof, as an observer (the **"Observer"**).

Subject to the views of the FSA, the Lender Shareholders must, prior to the nomination of the Lender Non-Executive Director, the Pearl non-executive director or the appointment of the Observer, consult with Liberty as to the suitability of the candidates. The Lender Shareholders may not nominate or appoint anyone with any material connections with any material competitor to the Pearl Group or who Liberty reasonably considers is likely to be adverse to the interests of the Pearl Group.

Under the Lender Relationship Agreement Liberty must, among other things, ensure that:

- the chairman shall, at all times, be "Independent" under the criteria set out in Provision A.3.1 of the Combined Code;
- Independent non-executive directors will, as soon as practicable after the completion of the Acquisition, at all times comprise no less than half of the board of directors of Liberty;
- if any person appointed as a Lender Non-Executive Director is required under the revised M&AA to submit himself for re-election at any annual general meeting of Liberty, the board of directors of Liberty will include such person in the notice of such annual general meeting sent to the shareholders of Liberty as being subject to re-election and the board of directors of Liberty will not knowingly take any action to prejudice the re-appointment of such person;
- the chairman will have the powers and duties specified in the Lender Relationship Agreement (including, without limitation, the right to (i) chair the board of directors of Liberty and general

meetings of Liberty and meetings of the nomination committee, including setting the agenda of such meetings, (ii) challenge and contribute to the development of strategy, (iii) scrutinize the performance of management, (iv) satisfy himself that financial information is accurate and that financial controls and systems of risk management are robust and defensible, (v) be responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing senior management and in succession planning and (vi) serve on the remuneration committee of the board of directors and attend all such committee meetings); and

- the Lender Non-Executive Director will receive copies of all correspondence with the FSA relating to the solvency position Liberty or any of its subsidiaries or the non-compliance by Liberty or any of its subsidiaries with any applicable law or regulation.

Further, under the Lender Relationship Agreement Liberty must, among other things, ensure that:

- the appointment of any person (other than the Lender Non-Executive Director) as a director or member of any committee of Liberty or its subsidiaries is approved in writing by the chairman;
- the entry by any member of the Pearl Group into any agreement, transaction or arrangement with any of TDR Capital and Sun Capital or any of their respective affiliates or other related parties, or the amendment of the terms of any such related party transaction, will be subject to the prior approval of the Lender Shareholders; and
- any amendment of the terms of reference of any committee of the board of directors of any member of the Pearl Group will be subject to the prior written approval of the Lender Shareholders.

Liberty must also adopt and cause the other members of the Pearl Group to adopt the charter referred to in FSA guidance (setting out the extent of the permitted involvement of any shareholders of Liberty in the activities of the Pearl Group and putting in place procedures to monitor compliance) as soon as practicable and in any event prior to any deadline set by the FSA for implementation. Thereafter Liberty must use all reasonable endeavors to comply, and to cause the other members of the Pearl Group to comply, with such charter.

Amendment to the M&AA

The Relationship Agreement provides that if Liberty adopts any amendments to articles 27.2, 27.9 and 49 of the M&AA, then Liberty will be in breach of the Lender Relationship Agreement. In addition, Liberty must use all reasonable endeavors to prevent any amendment to the M&AA which would restrict the rights of the Lender Shareholders under the Lender Relationship Agreement.

Preemptive Rights

Under the Lender Relationship Agreement, Liberty has agreed to provide certain pre-emptive rights to the Lender Shareholders. If any member of the Pearl Group proposes to offer, issue or grant any Relevant Securities (as defined below) for cash or no consideration or as consideration for the shares or other equity securities of an entity that was formed principally for the purpose of raising cash, such Relevant Securities may not be issued or granted unless Liberty or the applicable member of the Pearl Group first offers such Relevant Securities to the Lender Shareholders (on a *pro rata* basis), on the same terms and at the same price (where applicable).

"Relevant Securities" means any shares of any class in any member of the Pearl Group (the **"Liberty Shares"**) or securities which carry rights of conversion into or exchange or subscription for Liberty Shares or any options, warrants or other rights to subscribe for or purchase or otherwise acquire Liberty Shares which are issued or granted after completion of the Acquisition, other than certain specified securities and warrants, including:

- the warrants and any shares which are issued on exercise thereof;

- all Liberty Shares and other securities convertible into or exchangeable or exercisable for Liberty Shares which are described in this proxy and consent solicitation statement as either outstanding or to be issued at or after completion of the Acquisition and all securities arising from the conversion, exercise or exchange thereof;
- any shares or securities convertible into shares or options over shares issued or granted pursuant to any management incentive scheme that has been approved by Liberty's shareholders; and
- any shares or other securities issued by one member of the Pearl Group to another member of the Pearl Group.

Capital Distributions

Under the Lender Relationship Agreement, Liberty has agreed not to make any capital distributions (as defined in the Contingent Fee Agreement and which term excludes any dividends payable out of distributable profits arising from ordinary course trading revenues of the Pearl Group) without the prior consent of the Lender Shareholders for so long as (i) any Lender Warrants remain outstanding or (ii) the Contingent Fee Agreement remains in force.

Approval Mechanism

The Lender Relationship Agreement requires the Lender Shareholders to appoint an agent to exercise the rights of the Lender Shareholders under the Lender Relationship Agreement, and such agent is authorized to give or make all waivers, approvals, nominations or consents, and be party to all consultations on behalf, of the Lender Shareholders thereunder. This agent may only exercise such rights in accordance with the instructions of Lender Shareholders who together hold more than two-thirds of their aggregate commitments under the Impala Facility Agreement and the Pearl Facility Agreement.

Implementation Agreement

Liberty has entered into an Implementation Agreement dated June 27, 2009 (the **"Implementation Agreement")** with the Lenders, the Pearl Borrowers, the Impala Borrowers, certain Sellers and Pearl, with respect to, among other things, the implementation of certain of the transactions contemplated by the various transaction documents. The Implementation Agreement is governed by English law.

Fees and Issuance of Shares

In consideration for the restructuring of the Pearl Acquisition Credit Facility (as described above), the Pearl Borrowers are obligated to pay a fee to the Pearl Lenders or a specified designated affiliate in the amount of £17,010,000 (the **"Pearl Fee"**). The Implementation Agreement provides for the Pearl Fee to be satisfied by Liberty's issuance to the Pearl Lenders (or at their direction) of:

- 937,380 fully paid up ordinary shares of Liberty, which will be listed on Euronext;
- 452,620 fully paid up Class B ordinary shares of Liberty; and
- 500,000 additional fully up paid Class B ordinary shares.

Upon such issuance, the Pearl Borrowers will become indebted to Liberty on arm's length terms for an amount equal to the Pearl Fee.

In consideration for the restructuring of the Impala Acquisition Credit Facility (as described above), the Impala Borrowers are obligated to pay a fee to the Impala Lenders or a specified designated affiliate in the amount of £52,200,000 (the **"Impala Fee"**). The Implementation Agreement provides for the Impala Fee to be satisfied by Liberty's issuance to the Impala Lenders (or at their direction) of:

- 2,562,620 fully up paid ordinary shares which shall be listed on Euronext;
- 1,237,380 fully paid up Class B ordinary shares; and
- 2,000,000 additional fully paid up Class B ordinary shares.

Upon such issuance, the Impala Borrowers will become indebted to Liberty on arm's length terms for an amount equal to the Impala Fee.

In addition, the Pearl Borrowers and the Impala Borrowers are required to pay the contingent fees described in the Contingent Fee Agreement (see "— Contingent Fee Agreement").

Other Obligations at Completion

The Implementation Agreement further provides that, at completion, the Pearl Lenders will assign to Liberty all their rights, title, interest and benefit in and to £325 million of principal due under the Pearl Facility Agreement, in consideration of Liberty paying to the Pearl Lenders an aggregate of £75 million.

Further, at completion, the Pearl Borrowers will satisfy and discharge £75 million of principal due under the Pearl Facility Agreement by issuing the Lender Loan Notes to the Pearl Lenders.

At completion, Liberty will, under the Implementation Agreement, also issue the Lenders Warrants to the Pearl Lenders which will have an exercise price of £15 per share.

Chairman and Interim Chairman

The Implementation Agreement provides that, prior to completion, Liberty will conduct a process, in consultation with the Lenders, to appoint a permanent chairman of Liberty's board of directors (approved in advance by the Lenders) to replace the existing chairman at completion (as defined below).

In the event that the Lenders do not approve such a permanent chairman prior to completion, Jonathan Evans who is the former chairman of Resolution plc, and therefore familiar with the business of the Pearl Group will be appointed as the interim chairman at completion. If Jonathan Evans is unable to be appointed as chairman at completion for any reason, such other person as may be approved by the Lenders will be appointed as chairman.

Shareholders Meeting; Proxy Documents

Liberty has agreed to use its reasonable endeavors to ensure that the extraordinary general meeting takes place no later than July 30, 2009. Liberty has agreed that it will include its board's unanimous recommendation in this proxy and consent solicitation statement and, subject to fiduciary duties, will not withdraw such recommendations.

Listing of Shares

Under the Implementation Agreement, Liberty must:

- execute all such documents, provide all such information and take all other actions as may be necessary for the admission of the ordinary shares to be issued to the Lenders pursuant to the Implementation Agreement to listing on Euronext pursuant to an application made by Liberty; and
- procure that admission to Euronext takes place not later than the next trading day following completion.

Escrow Deed

The Implementation Agreement provides that each of the Sun Capital parties who is a Seller, Liberty and TDR Capital will (i) appoint an escrow agent (acceptable to the Lenders) in relation to an escrow deed to be agreed upon by the escrow agent and (ii) execute the escrow deed no later than completion.

The escrow deed will provide that any dividends declared or paid in respect of the proportion of the 38.9 million Class B ordinary shares received by the Sellers under the Purchase Agreements will be paid into escrow rather than delivered to such Sellers. The escrowed funds will be released to such Sellers on the earlier

to occur of (i) certain prepayments under the Pearl Facility Agreement and the Impala Facility Agreement or (ii) the second anniversary of the completion of the Acquisition.

Completion

Under the Implementation Agreement, completion means the completion of certain specified transactions, including, without limitation:

- the consummation of the Acquisition;
- this proxy and consent solicitation statement being posted within 20 business days of the date of the Implementation Agreement (or such later date as the Lenders may agree); and
- the satisfaction or waiver of the conditions precedent to the Pearl Facility Agreement and the Impala Facility Agreement.

Further, completion shall not occur under the Implementation Agreement unless certain specified obligations have been fulfilled, including, without limitation:

- a meeting of the Liberty board of directors being held at which (or written consent to resolutions pursuant to which):
  - the issue of the shares referred to above is approved and such shares will be issued to the Lenders at completion;
  - approval is given for the ordinary shares to be issued to the Lenders to be admitted to trading on Euronext and admission of the ordinary shares to the Euroclear settlement system;
  - the resignation of all the current directors of Liberty is approved; and
  - the appointment of, *inter alia,* Hugh Osmond and Manjit Dale as directors of Liberty is approved;
- the Sellers and Pearl procuring that each of the Acquired Companies and each member of the Pearl Group holds a board meeting at which:
  - certain specified individuals resign as directors or committee members;
  - certain specified individuals are appointed as directors or committee members;
- the escrow deed is executed by Liberty and the Sellers, and
- the terms of reference are adopted for the following committees:
  - Financial Risk & Capital Oversight Committee;
  - Nomination Committee;
  - Audit Committee; and
  - Remuneration Committee.

Completion will occur on the fifth business day after the date on which the last of the conditions to completion is satisfied or waived, other than the consummation of the Acquisition. The completion date will be the same date as the completion of the Purchase Agreements, but immediately following the consummation of the Acquisition.

Composition of the Board at Completion

The Implementation Agreement requires that, on completion, the Liberty board of directors comprises:

- Jonathan Moss as Group Chief Executive;
- Simon Smith as Group Finance Director;

- the person proposed as the permanent chairman (whose appointment has been approved by the Lenders) or in the absence of such person, Jonathan Evans as the interim chairman;
- Hugh Osmond as a director (with the title **"Vice-Chairman"**);
- Manjit Dale as a director;
- Rene Pierre Azria as a director;
- Ian Cormack as a director;
- such person as the Lenders may nominate to be the Lender Non-Executive Director under the Lender Relationship Agreement; and
- such other persons as Liberty and the Lenders may agree prior to completion, with the aim that there be six further independent non-executive directors at completion.

In addition, following the execution of the Implementation Agreement, it was agreed that Ian Ashken would join the board upon the consummation of the Acquisition.

Termination of Related Party Transactions and Resignations

The Implementation Agreement requires that, to the extent legally possible, certain agreements, transactions and arrangements specifically disclosed in the Implementation Agreement by and among the Sellers and their affiliates and the Pearl Group will be terminated upon the consummation of the Acquisition.

The parties to the Implementation Agreement also agree (for themselves and on behalf of their related parties) that the Pearl Group Sellers (other than Hugh Osmond and Manjit Dale, each of whom will be directors of Liberty) will resign on completion from all positions held in relation to each member of the Pearl Group whether as director, alternate director, member of any committee, officer, employee, consultant, representative, agent or adviser.

With effect from the date of the Implementation Agreement, the Pearl Group Sellers will only be entitled to payments, fees, costs and expenses from the Pearl Group to the extent expressly provided in the Implementation Agreement.

The Implementation Agreement provides that certain key employees of Pearl will continue to be employed by the Pearl Group following completion, but such individuals will be required to resign as directors, alternate directors and members of any committee of any member of the Pearl Group.

Representations and Warranties

The Implementation Agreement contains, among other terms, customary representations and warranties by Liberty and each other party relating to the transactions contemplated therein.

Lenders' Approval Mechanism

The Lenders will appoint an agent under the Implementation Agreement to exercise the rights of the Lenders thereunder, which agent will be authorized to give or make all waivers, approvals, nominations or consents, and be party to all consultations on behalf, of the Lenders thereunder. The agent may only exercise such rights in accordance with the instructions of Lenders who together hold more than two-thirds of their aggregate commitments under the Impala Facility Agreement and the Pearl Facility Agreement.

Lender Warrants

Pursuant to the Implementation Agreement, upon the consummation of the Acquisition, Liberty will issue to the Lenders warrants to purchase 5,000,000 Class B ordinary shares.

Each Lender Warrant will entitle the holder to purchase one Class B ordinary share at a price of £15.00 per share, subject to adjustment as discussed below. The holder of the Lender Warrants may elect to exercise

the warrant and pay the exercise price either in cash or by assigning to Liberty an amount of outstanding principal and/or accrued but unpaid interest of any debt that is owed to the holder of the warrant by Liberty or any subsidiary of Liberty.

The Lender Warrants will expire at the close of trading on Euronext (5:30 p.m., Central European Time), or such other primary exchange as Liberty's ordinary shares are traded, on the earliest to occur of (i) the first business day following the fifteenth anniversary of issuance of the Lender Warrants, (ii) the date fixed for redemption of the Lender Warrants as set forth below and (iii) the liquidation of Liberty.

We may call the Lender Warrants for redemption:

- in whole but not in part,
- at a price of €0.01 per Lender Warrant,
- upon not less than 30 days' prior written notice of redemption to each Lender Warrantholder; and
- if, and only if, the last sale price of the ordinary shares equals or exceeds £19.50 (or the euro equivalent of that price) per share for any 20 consecutive trading days during the exercise period.

If the foregoing conditions are satisfied and we issue a notice of redemption of the Lender Warrants, each Lender Warrantholder shall be entitled to exercise its warrant prior to the scheduled redemption date. Upon a redemption, the holder will have the opportunity to effect a cashless exercise of the Lender Warrants. If the holder elects to make a cashless exercise, the holder would pay the exercise price by surrendering the Lender Warrants for that number of Class B ordinary shares equal to the quotient obtained by dividing (i) the product of the number of shares underlying the Lender Warrants, multiplied by the difference between the exercise price of the Lender Warrants and the fair market value by (y) the fair market value. For this purpose, "fair market value" means the average reported last sale price of the ordinary shares for the ten consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of the Lender Warrants.

The exercise price and number of shares issuable on exercise of the Lender Warrants may be adjusted in certain circumstances including in the event of a share dividend, sub-division of shares, reverse share split or our recapitalization, reorganization, merger or consolidation.

No fractional shares will be issued upon exercise of the Lender Warrants. If a holder exercises Lender Warrants and would be entitled to receive a fractional interest of a share, we will round up the number of shares to be issued to the Lender Warrantholder to the nearest whole number of shares.

Lender Warrantholders do not have the rights or privileges of holders of shares, including voting rights, until they exercise their Lender Warrants and receive shares. After the issuance of Class B ordinary shares upon exercise of the Lender Warrants, each Lender Warrantholder will be entitled to one vote for each Class B ordinary share held of record on all matters to be voted on by Class B ordinary shareholders.

Contingent Fee Agreement

In connection with the Implementation Agreement, Liberty, the Pearl Borrowers, the Impala Borrowers and the Lenders have entered into a Contingent Fee Agreement, dated June 27, 2009 (the **"Contingent Fee Agreement"**), pursuant to which the Lenders are entitled to receive additional fees from the Pearl Borrowers and the Impala Borrowers as further consideration for the restructuring of the Impala and Pearl Acquisition Credit Facilities. These fees become payable as follows:

- a fee in the aggregate amount of £33.15 million is payable upon the volume weighted average price of Liberty's ordinary shares attaining, and remaining above for 20 consecutive trading days, €13 per share, (the **"First Threshold Fee"**);
- a fee in the aggregate amount of £35.7 million is payable upon the volume weighted average price of Liberty's ordinary shares attaining, and remaining above for 20 consecutive trading days, €14 per share (the **"Second Threshold Fee"**); and

- a fee in the aggregate amount of £38.25 million is payable upon the volume weighted average price of Liberty's ordinary shares attaining, and remaining above for 20 consecutive trading days, €15 per share (the **"Third Threshold Fee"**).

The fees described above will be satisfied by the issue by Liberty to the Lenders of:

- 2,833,333 fully paid up ordinary shares in respect of the First Threshold Fee;
- 2,833,333 fully paid up ordinary shares in respect of the Second Threshold Fee;
- 2,833,334 fully paid up ordinary shares in respect of the Third Threshold Fee;

and each Pearl or Impala Borrower will become indebted to Liberty, on arm's length terms, for the proportion of the fees described above that Liberty satisfies on its behalf.

The Contingent Fee Agreement with the Lenders is, in all other respects, substantially the same as the Contingent Consideration Agreement, including with respect to acceleration of the fees payable and anti-dilution adjustments.

Royal London Agreements

Background

On October 10, 2007, a PIK Facility Agreement (as amended and restated from time to time) was entered into by MC2 as borrower and MC1 as guarantor and Royal London as lender (the **"PIK Facility"**) in the principal amount of £154.5 million. MC1 also entered into a notes subscription agreement (as amended and restated from time to time) with MC2 as guarantor and Royal London as the initial noteholder, pursuant to which MC1 (as issuer) and MC2 (as guarantor) executed a deed poll notes instrument dated May 14, 2008 pursuant to which PIK Notes (the **"PIK Notes"**) of £154.5 million were issued (the PIK Facility Agreement and PIK Notes, together the "**PIK Documents**").

In addition, Royal London currently owns ordinary and preference shares in TC1 and TC2.

Sale of Shares in SunCap Parma Topco Limited and TDR Parma Topco Limited

Pursuant to the Royal London Implementation Agreement, subject to certain closing conditions, Royal London shall sell, and Liberty shall purchase, all of the ordinary and preference shares of TC1 and TC2 currently owned by Royal London. In consideration for the sale of these shares, Liberty shall issue to Royal London 1.8 million Class B ordinary shares.

Assignment of the Royal London PIK Debt

Subject to certain closing conditions, including the consummation of the Acquisition, Royal London will also assign to Liberty a portion of the principal amount of the PIK Notes, and a portion of the outstanding principal under the PIK Facility such that the outstanding principal debt owed by MC1 and MC2 to Royal London will be reduced to an aggregate of £100 million. Both the PIK Notes and the PIK Facility debt assigned to Liberty (together, the **"PIK Debt"**) (i) shall be subordinated to any remaining principal amount and interest owed to Royal London under the PIK Documents, (ii) shall not be secured on any assets or property of the issuing companies and (iii) shall not have the benefit of any guarantees from MC1 and/or MC2. In addition, Liberty (and any subsequent transferees or assignees) shall not be entitled to vote or participate in any decisions of the Lenders or noteholders.

In consideration for the transfer of the PIK Debt, we will issue to Royal London 1.5 million Class B ordinary shares, transferable warrants to purchase 2 million Class B ordinary shares and non-transferable warrants to purchase 10.36 million Class B ordinary shares. In addition, and immediately prior to the assignment of the PIK Debt to Liberty, the remaining amounts owed to Royal London under the PIK Documents will be amended and restated as described below under "Restructuring of the PIK Outstandings."

Restructuring of the PIK Outstandings

The PIK Documents will be amended to reflect the revised terms agreed with Royal London, including the restructuring of the repayment provisions to provide for a bullet repayment upon the maturity of a ten-year term and the payment of a coupon of 2% plus LIBOR per annum (with an increased coupon of 3.5% on capitalized interest). Additional amendments have been made to the PIK Documents as considered appropriate to the reflect the changes effected by the restructuring of the Pearl Group.

Fees

In consideration for Royal London agreeing to amend and restate the remaining balance of the outstanding amounts owed to Royal London, MC1 and MC2 together each be indebted to Royal London for a restructuring fee of £25.9 million in cash. Royal London will assign and transfer such fee to Liberty in exchange for the issuance by Liberty of 2.88 million Class B ordinary shares.

Additionally, MC1 and MC2 are indebted to Royal London for a fee of £1.3 million plus VAT in cash as a fee for the entry by Royal London of the original PIK Notes and PIK Facility. This will be repaid by us on the earlier of (i) September 30, 2009 and (ii) the later of (a) the date of consummation of the Acquisition and (b) the date on which the FSA consents to the release of the Opal Hedge VOP on behalf of MC1 and MC2.

Royal London Warrants

The non-transferable warrants and the transferable warrants to be issued to Royal London are identical in all respects other than the fact that the non-transferable warrants may only be transferred to subsidiaries of Royal London, while the transferable warrants are freely transferable subject to applicable law.

Each Royal London Warrant will entitle the holder to purchase one Class B ordinary share at a price of €11.00 per share, subject to adjustment as discussed below. The holder of the Royal London Warrants may elect to exercise the warrant and pay the exercise price by either assigning to Liberty an amount of outstanding principal and/or accrued but unpaid interest of any debt that is owed to the holder of the Royal London Warrant by Liberty or any member of the Pearl Group on the date the Royal London Warrants are issued and/or at any time thereafter or by paying in cash by wire transfer.

The Royal London warrants will expire at the close of trading on Euronext (5:30 p.m., Central European Time), or such other primary exchange as Liberty's ordinary shares are traded, on the earliest to occur of (i) the first business day following the fifth anniversary of issuance of the Royal London Warrants, (ii) the date fixed for redemption of the Royal London Warrants as set forth below and (iii) the liquidation of Liberty.

We may call the Royal London Warrants for redemption:

- in whole but not in part,
- at a price of €0.01 per Royal London Warrant,
- upon not less than 30 days' prior written notice of redemption to each Royal London Warrant holder; and
- if, and only if, the last sale price of the ordinary shares equals or exceeds €16.50 per share for any 20 trading days within a 30 day trading period ending on the third business day prior to the notice of redemption to the Royal London Warrant holders.

If the foregoing conditions are satisfied and we issue a notice of redemption of the Royal London Warrants, each Royal London Warrant holder shall be entitled to exercise its Royal London Warrants prior to the scheduled redemption date. Upon a redemption the holder will have the opportunity to pay the Royal London Warrant exercise price either (i) in cash, (ii) by assigning debt in accordance with the above, or (iii) by effecting a cashless exercise of the Royal London Warrants. If the holder elects to make a cashless exercise, the holder would pay the exercise price by surrendering the Royal London Warrants for that number of Class B ordinary shares equal to the quotient obtained by dividing (i) the product of the number of shares underlying the Royal London Warrants, multiplied by the difference between the exercise price of the Royal London

Warrants and the fair market value by (ii) the fair market value. For this purpose, "fair market value" means the average reported last sale price of the ordinary shares for the consecutive ten trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of the Royal London Warrants.

The exercise price and number of shares issuable on exercise of the Royal London Warrants may be adjusted in certain circumstances including in the event of a share dividend, sub-division of shares, reverse stock split or our recapitalization, reorganization, merger or consolidation. However, the exercise price and number of Class B shares issuable on exercise of the Royal London Warrants will not be adjusted for issuances of ordinary shares at a price below the Royal London Warrant exercise price.

No fractional shares will be issued upon exercise of the Royal London Warrants. If a holder exercises Royal London Warrants and would be entitled to receive a fractional interest of a share, we will round down the number of shares to be issued to the warrant holder to the nearest whole number of shares.

Royal London Warrant holders do not have the rights or privileges of holders of shares, including voting rights, until they exercise their Royal London Warrants and receive shares. After the issuance of Class B ordinary shares upon exercise of the Royal London Warrants, each holder will be entitled to one vote for each Class B ordinary share held of record.

Listing on the London Stock Exchange and/or Euronext

Liberty has agreed that it will use all reasonable endeavors to list its entire issued and to be issued ordinary shares on the London Stock Exchange on or before June 30, 2010. If this is not possible, Liberty has agreed that it will use all reasonable endeavors to list any unlisted shares (including the ordinary shares into which the Class B ordinary shares convert) held by Royal London on Euronext on or before September 30, 2010.

Lock-Up and Orderly Market

Royal London has agreed not to transfer any securities it receives from us, including shares issuable upon the exercise of Royal London Warrants or ordinary shares received upon the conversion of Class B ordinary shares, for a period of one year following consummation of the Acquisition save on a change of control or in respect of a transfer to an affiliate.

Royal London has also agreed, for a period of 18 months following consummation of the Acquisition or, if earlier, until such time that it ceases to hold more than 2.5% of Liberty's issued share capital, to only dispose of the shares it holds in us on a best price and execution basis through Liberty's broker at the time and in such orderly manner as Liberty may require with a view to maintaining an orderly market in our shares provided that such broker offers competitive terms for the provision of such services and is, in Royal London's reasonable opinion, of substance and of good repute and has substantial distribution capacity in the insurance sector.

Bond Option

Royal London will grant Liberty option to purchase, within six months of the consummation of the Acquisition, certain Tier 1 bonds issued by Pearl Group Holdings (No. 1) Limited to Royal London at 20% of the face amount thereof.

Settlement Deed

Royal London, Impala and Pearl are parties to a framework agreement dated October 10, 2007, as amended and restated on May 2, 2008 relating to certain of the subsidiaries, businesses and related assets of Resolution plc (the **"ARFA"**). Royal London Management Services Limited and Pearl Group Management Services are parties to a transitional services agreement dated August 1, 2008 (the **"TSA"**). Royal London, Impala, Pearl, and certain of their respective group companies have entered into a settlement deed (the

"Settlement Deed"), pursuant to which certain amounts owing between the Royal London group and Impala and its subsidiaries under the ARFA and the TSA are agreed and set off against each other.

Implementation and completion of the steps set out in the Settlement Deed are subject both to the consent of the Lenders and the FSA to the transaction and to certain restructuring steps having been completed.

The Settlement Deed, among other things, makes provision in respect of the transfer of certain tax attributes to Royal London, including that if the total amount of the tax attributes provided is less than £480 million Pearl Life Holdings Limited (**"PLHL"**) will be required to make a refund payment to Royal London of up to £52.6 million.

Pearl Group Pension Scheme Agreements

On June 26, 2009, Pearl entered into an agreement with the trustees of the Pearl Group Pension Scheme that governs how the Pearl Group Pension Scheme will be funded until 2027 (the **"New Pensions Agreement"**). The New Pensions Agreement will (subject to a number of conditions being met) become effective upon completion of the Acquisition and the arrangements agreed with the trustees of the Pearl Group Pension Scheme in 2007 will be terminated.

The key features of the New Pensions Agreement are as follows:

- Pearl has agreed to make certain specific payments to the Pearl Group Pension Scheme. The first payment will be a £50 million cash contribution within 30 days of the New Pensions Agreement (and the related security documents and escrow termination agreement) becoming effective. This will be followed by payments of £20 million and £5 million to the Pearl Group Pension Scheme on September 30 each year from 2010 through to 2019;
- The trustees of the Pearl Group Pension Scheme are granted charges over shares in a number of members of the Pearl Group;
- The value of the security claim granted under the share charges will be £600 million until June 30, 2012, and will be capped at the lower of £600 million and 60% of the Pearl Group Pension Scheme deficit (on a basis linked to U.K. government securities) revalued every three years thereafter. In so far as there is a residual deficit, and therefore security claim, after 2020 the Pearl Group has agreed to accelerate cash funding to reduce such deficit prior to 2027;
- Pearl will covenant that its embedded value will be at least 1.30:1 times the value of the security granted by way of share charge. Restrictions on dividends and debt payments will apply if this test is not met. Failure to maintain this embedded value ratio does not automatically entitle the trustees to exercise their security unless the ratio falls below 1.05:1. If embedded value increases above a certain level, payments to the Pearl Group Pension Scheme will be triggered; and
- The Pearl Group Pension Scheme will continue to be subject to the scheme specific funding obligations under the Pensions Act 2004. The New Pensions Agreement makes it clear that any overall funding obligations under U.K. Pensions Law to which the Pearl Group Pension Scheme is subject will take into account the amounts agreed to be paid and secured under the New Pensions Agreement.

THE NAME CHANGE PROPOSAL

Background

Assuming the Acquisition Proposal is approved by Liberty's shareholders, Liberty is proposing to change its corporate name from "Liberty Acquisition Holdings (International) Company" to "Pearl Group" effective upon the consummation of the Acquisition. In the judgment of our board of directors, the change of our corporate name is desirable to reflect the acquisition of Pearl. Our current name will not adequately reflect our business operations in the event the Acquisition is consummated. Accordingly, we believe that changing our name to "Pearl Group" in connection with the Acquisition will better reflect our operating business and name recognition. Shareholders will not be required to exchange outstanding share certificates for new share certificates if the name change is effected.

IF OUR SHAREHOLDERS DO NOT APPROVE THIS PROPOSAL, WE WILL NOT BE ABLE TO CONSUMMATE THE ACQUISITION.

Proposal

THAT the name of the Company be changed from Liberty Acquisition Holdings (International) Company to Pearl Group subject to, and to be effective immediately following the consummation of, the Acquisition (as defined in the proxy and consent solicitation statement dated July 3, 2009).

Required Vote

The adoption of the Name Change Proposal will require the affirmative vote of holders of two-thirds of the ordinary shares outstanding as of the Record Date.

Recommendation

Liberty's board of directors believes that it is fair to, and in the best interests of, Liberty that the shareholders approve the Proposal to change our corporate name effective upon the consummation of the Acquisition.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE NAME CHANGE PROPOSAL.

THE AUTHORIZED SHARE CAPITAL PROPOSAL

Background

Assuming the Acquisition Proposal is approved by Liberty's shareholders, Liberty is proposing to (i) decrease the authorized share capital of Liberty from €30,100 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each and 1,000,000 preferred shares of a par value of €0.0001 each) to €30,000 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each) and (ii) increase the authorized share capital of Liberty from €30,000 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each) to €41,000 (divided into 300,000,000 ordinary shares of a par value of €0.0001 each and 110,000,000 Class B ordinary shares of a par value of €0.0001 each), in each case, effective immediately prior to the consummation of the Acquisition.

The changes in our authorized share capital are being undertaken as a result of and in conjunction with the Acquisition. Following the consummation of the Acquisition, we will no longer require preferred shares and in order to pay the consideration to the Sellers required under the Purchase Agreements, we must authorize the Class B ordinary shares in our M&AA. Accordingly, the Authorized Share Capital Proposal is conditioned upon, and shall be effective immediately prior to, the consummation of the Acquisition.

The issuance of ordinary shares in connection with the Acquisition will be substantially dilutive to our current shareholders. For purposes of illustration, a shareholder who owned 5.0% of our outstanding ordinary shares on the Record Date would own approximately 2.8% of our outstanding shares of our immediately following the consummation of the Acquisition, assuming no redemption of shares by our shareholders and no exercise of outstanding Liberty warrants.

IF OUR SHAREHOLDERS DO NOT APPROVE THIS PROPOSAL, WE WILL NOT BE ABLE TO CONSUMMATE THE ACQUISITION.

Proposal

THAT, subject to, and to be effective immediately prior to, the consummation of, the Acquisition (as defined in the proxy and consent solicitation statement dated July 3, 2009): (i) the authorized but unissued share capital of the Company be reduced from €30,100.00 divided into 300,000,000 ordinary shares of a par value of €0.0001 each and 1,000,000 preferred shares of a par value of €0.0001 each to €30,000.00 divided into 300,000,000 ordinary shares of a par value of €0.0001 each by the cancellation of 1,000,000 preferred shares with a par value of €0.0001 each; and (ii) immediately following the reduction of the authorized share capital as described in clause (i), the authorized share capital of the Company be increased from €30,000.00 divided into 300,000,000 ordinary shares of a par value of €0.0001 each to €41,000.00 divided into 300,000,000 ordinary shares of a par value of €0.0001 each and 110,000,000 Class B ordinary shares of a par value of €0.0001 each by the creation of an additional 110,000,000 Class B ordinary shares with a par value of €0.0001 each to rank *pari passu* in all respects with the existing shares.

Required Vote

The adoption of the Authorized Share Capital Proposal will require the affirmative vote of the holders of two-thirds of the ordinary shares outstanding as of the Record Date.

Recommendation

Liberty's board of directors believes that it is fair to, and in the best interests of, Liberty that the shareholders approve the Proposal to increase our authorized share capital effective immediately prior to the consummation of the Acquisition.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE AUTHORIZED SHARE CAPITAL PROPOSAL.

THE QUORUM AMENDMENT PROPOSAL

Background

Assuming the Acquisition Proposal is approved by Liberty's shareholders, Liberty is proposing to remove, effective upon the consummation of the Acquisition, certain provisions contained in Articles 9.2, 20.1 and 20.4 of Liberty's M&AA.

Pursuant to the M&AA, a quorum of two shareholders present in person or by proxy is necessary to hold a valid general meeting with respect to the Acquisition Proposal. If there is no quorum, our chairman may adjourn the extraordinary general meeting to another date.

If the Acquisition Proposal is not approved, the remainder of the Proposals would not be offered to the shareholders for approval (as such Proposals are conditional upon the Acquisition Proposal being approved). However, if the Acquisition Proposal were not approved, and if the Quorum Amendment Proposal and the M&AA Amendment and Restatement Proposal were to be put forward to the shareholders for approval at the extraordinary general meeting, then the quorum threshold at the general meeting to consider such proposals would be increased to the shareholders holding 100% of the issued and outstanding shares. This quorum must be present before shareholders could vote on any alteration or addition to certain business combination provisions of the M&AA prior to a business combination.

Following approval of the Acquisition Proposal, the increased quorum threshold would no longer apply as such business combination provisions of the M&AA would become redundant. Accordingly, the remainder of the Proposals could be considered at a general meeting where a quorum of two shareholders present in person or by proxy is sufficient to constitute the general meeting. This Quorum Amendment Proposal seeks to remove these redundant quorum provisions.

IF OUR SHAREHOLDERS DO NOT APPROVE THIS PROPOSAL, WE WILL NOT BE ABLE TO CONSUMMATE THE ACQUISITION.

Proposal

THAT the following amendments to the M&AA be approved, subject to, and to be effective upon, the consummation of the Acquisition (as defined in the proxy and consent solicitation statement dated July 3, 2009):

(a) Article 9.2 of the M&AA be amended by deleting the following wording:

"(save where the class meeting is required to consider any alteration of or addition to the Articles in relation to the matters contemplated by Article 42 and/or Article 43 (including any amendment or addition to, or deletion of, Article 42 and/or Article 43 themselves) in which case the quorum in respect of the vote to be taken on such matter shall be the Members holding 100% of the issued and outstanding Shares of such class at such time)"

(b) Article 20.1 of the M&AA be deleted and replaced with the following wording:

"No business shall be transacted at any general meeting unless a quorum is present. Two Members being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorised representative or proxy shall be a quorum unless the Company has only one Member entitled to vote at such general meeting in which case the quorum shall be that one Member present in person or by proxy or (in the case of a corporation or other non-natural person) by a duly authorised representative or proxy."

(c) Article 20.4 of the M&AA be amended by deleting the following wording:

", except if the general meeting is required to consider any alteration of or addition to the Articles in relation to the matters contemplated by Article 42 and/or 43 (including any amendment or addition to, or deletion of, Article 42 and/or Article 43 themselves) in which case the quorum in

respect of the vote to be taken on such matter at such adjourned general meeting shall remain as the Members holding 100% of the issued and outstanding Shares at such time"

Required Vote

The adoption of the Quorum Amendment Proposal will require the affirmative vote of holders of two-thirds of the ordinary shares outstanding as of the Record Date.

Recommendation

Liberty's board of directors believes that it is fair to, and in the best interests of, Liberty that the shareholders approve the Proposal to remove, effective upon the consummation of the Acquisition, certain provisions contained in Articles 9.2, 20.1 and 20.4 of the M&AA.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE QUORUM AMENDMENT PROPOSAL.

THE SHARE REPURCHASE PROPOSAL

Background

On October 29, 2008, Guy Naggar, one of our Founders and initial directors and a holder of 63,600 ordinary shares and 63,600 warrants resigned from our board of directors and entered into a letter agreement with us pursuant to which he advised us that he would not be able to satisfy his co-investment obligations and agreed to surrender and forfeit to Liberty all of the ordinary shares and warrants that he had been issued or owned. We can only effect any such repurchase or cancellation after it is approved by our shareholders and either (a) the Acquisition is consummated or (b) our M&AA are amended to allow such repurchase in advance of the consummation of the Acquisition.

IF OUR SHAREHOLDERS DO NOT APPROVE THIS PROPOSAL, WE WILL NOT BE ABLE TO CONSUMMATE THE ACQUISITION.

Proposal

(a) **THAT** pursuant to Article 8.2 of the M&AA, subject to the Company having sufficient funds lawfully available therefor, Liberty hereby authorizes and approves the purchase by Liberty of 63,600 ordinary shares of a par value of €0.0001 each from Guy Naggar at a repurchase price at par of €6.36 (being €0.0001 per ordinary share) (the **"Repurchase Shares"**);

(b) **THAT** the manner of purchase be that the Repurchase Shares be purchased from the holder thereof at the price specified in (a) above and that the proceeds be paid to the shareholder in connection with the consummation of the Acquisition out of the capital and/or retained earnings of Liberty; and

(c) **THAT** the register and transfer agent be and hereby is instructed to update Liberty's register of members in respect of the aforesaid.

Required Vote

The adoption of the Share Repurchase Proposal will require the affirmative vote of the holders of a majority of the ordinary shares that are present in person or by proxy and entitled to vote at the extraordinary general meeting.

Recommendation

Liberty's board of directors believes that it is fair to, and in the best interests of, Liberty that the shareholders approve the Proposal to repurchase the ordinary shares held by Mr. Naggar.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE SHARE REPURCHASE PROPOSAL.

THE M&AA AMENDMENT AND RESTATEMENT PROPOSAL

Background

Assuming the Acquisition Proposal and the Quorum Amendment Proposal are approved by Liberty's shareholders, Liberty is proposing to amend and restate the M&AA, effective upon the consummation of the Acquisition, which will include the amendments referred to in each of the Name Change Proposal, the Authorized Share Capital Proposal and the Quorum Amendment Proposal, and will include, among other things:

Issue of Securities

- The directors may divide any of Liberty's shares into any number of classes and vary and determine the rights as between such different classes.

Share Rights, Restrictions and Transfers

- The ordinary shares and the Class B ordinary shares will rank *pari passu* in all respects, except that the Class B ordinary shares may be convertible into ordinary shares at the holder's option, subject to compliance with applicable laws, including the rules and regulations of any investment exchange on which the ordinary shares are admitted to trading. However, those Class B ordinary shares classified as Claim Reimbursement Shares will not be so convertible prior to the expiration date by which a claim must be brought by Liberty against a shareholder in respect of the warranties under the Purchase Agreements (the **"Claim Date"**). Following the Claim Date, all Claim Reimbursement Shares will be convertible except for such Claim Reimbursement Shares with an aggregate value equal to any unresolved claims made under the warranties pursuant to the Purchase Agreements made prior to the Claim Date.
- For a period of one year from the date of the M&AA Restatement and Amendment Proposal becoming effective, the holders of Class B ordinary shares which are classified as Purchase Agreement Shares and any equity securities derived therefrom will be subject to certain additional restrictions relating to the disposition of such Purchase Agreement Shares, unless and to the extent that certain limited exceptions apply.

Redemption and Repurchase of Shares

- If any Seller owes an amount to Liberty under the Purchase Agreements:
  - he may request, as payment therefor, that Liberty redeem such number of Claim Reimbursement Shares held by him and if and to the extent necessary cancel the right to receive shares from Liberty under the Contingent Consideration Agreement; and
  - if no such request is made, Liberty may automatically redeem such relevant number of Claim Reimbursement Shares held by him, provided that such number shall be reduced *pro rata* to the relinquishment of that shareholder's entitlement to contingent shares.

Variation of Rights of Shares of Class B Ordinary Shares

- Any variation of the rights attached to the Class B ordinary shares with respect to their convertibility into ordinary shares can only be approved with the written consent of the holders of 90% of the issued Class B ordinary shares or by the passing of a resolution by the holders of 90% of the issued Class B ordinary shares at a separate meeting of the holders of such Class B ordinary shares.

General Meetings

- All general meetings must be held outside the U.K. and the U.S.
- The minimum notice provisions for annual general meetings will:

- increase to twenty-one days' notice for an annual general meeting; and
- decrease to fourteen days' notice for an extraordinary general meeting.

Proceedings at General Meetings

- In the case of an equality of votes, the Chairman will no longer be entitled to a second or casting vote.

Capitalization

- If Liberty is required to issue any shares pursuant to the Contingent Consideration Agreement, the Contingent Fee Agreement or any "Fee Shares" pursuant to the Contingent Subscription Agreement, it will be obliged to capitalize any sum standing to the credit of any of Liberty's reserve accounts or any sum standing to the credit of its profit and loss account or otherwise available for distribution but will not be obliged to comply with the proportionality requirements usually required in respect of the appropriation of such sum in relation to the issuance of shares pursuant to the above-listed agreements.

Board of Directors

- The board of directors will be comprised of a majority of non-executive directors, at least two of whom must be "independent" (as that term is defined in the Combined Code).
- Alternate directors may be appointed, provided that they are located outside the U.S.
- At each annual general meeting, at least one-third of the directors (including any who have been in office for three years or more) will retire from office but will be eligible for re-election.
- A new director may be appointed at a general meeting if proposed by a shareholder or recommended by the directors.
- The board of directors may appoint another director to fill a vacancy or as an additional director and such director will hold office until the next annual general meeting at which he will put himself up for re-election.
- A director may be removed from office by, among other things, an ordinary resolution of the shareholders or a request to resign from a majority of the directors.
- The ordinary remuneration of any non-executive director for his ordinary duties may not exceed £50,000 per annum (or such higher amount approved by ordinary resolution of the shareholders).
- Liberty will indemnify former and existing directors and officers against liabilities incurred as a result of acting or failing to act in carrying out their duties, other than by their own actual fraud or wilful default.

Proceedings of Directors

- For a quorum to be present at a meeting, the majority of directors present (including the chairman) must be physically situated outside the U.K. during the meeting.
- For a written board resolution to be valid, the majority of all directors must be physically situated outside the U.K. when signing the resolution.
- For so long as independent directors comprise less than one half of the number of directors, no decision can be taken by the board of directors unless it is approved by a majority of the directors voting and at least half the number of independent directors.
- The chairman must be independent and will no longer have a casting vote.
- The chairman must approve the composition of any committee to which the board of directors may delegate its powers.

Disclosure of Information to Regulators

- Each shareholder must permit Liberty and its directors to disclose to any regulator in any country (including the FSA) any information (including confidential information) held by Liberty in relation to that shareholder

Initial Public Offering and Pre-Business Combination

- Provisions relating to or connected with Liberty's initial public offering and any business combination (including the period prior to any such business combination) have been removed and, accordingly, the 100% quorum requirement to pass any resolution to amend provisions in the M&AA relating to such matters have also been removed.

New Takeover Provisions

- Only during such times as the City Code does not apply to Liberty, certain of the provisions of the City Code will be adopted, including provisions dealing with compulsory takeover offers and shareholder treatment along the lines of its general principles (including "equal treatment"), which are to be administered by the board of directors. The powers granted to the board of directors under these takeover provisions will only be exercisable by those directors who are not interested in any arrangements or transactions in connection with the event which would cause these takeover provisions to apply.
- A person must not: (i) acting by himself or with persons determined by the directors to be acting in concert, seek to acquire shares in Liberty, which carry 30% or more of the voting rights attributable to the shares in Liberty; or (ii) acting by himself or with persons determined by the directors to be acting in concert hold 30% but not more than 50% of the voting rights, and seek to acquire, by himself or with persons determined by the directors to be acting in concert, additional shares which, taken together with the shares held by the persons determined by the directors to be acting in concert with him, increase his voting rights, except as a result of a "permitted acquisition" (meaning an acquisition either consented to by the directors, or made in compliance with Rule 9 of the City Code, or arising from the repayment of a stock borrowing arrangement); or (iii) effect or purport to effect an acquisition which would breach or not comply with Rules 4, 5, 6, or 8 of the City Code, if Liberty were subject to the City Code.
- Where the directors have reason to believe that any of such circumstances has taken place, they may take all or any of the following measures: (i) require the person(s) appearing to be interested in the shares of Liberty to provide such information as the directors consider appropriate; (ii) have regard to such public filings as may be necessary to determine any of the matters under this new provision; (iii) make any determination under this provision as it thinks fit either after calling for submissions by the relevant person(s) or without doing so; (iv) determine that the voting rights attached to such shares in breach of the M&AA (the **"Excess Shares"**) are from a particular time incapable of being exercised for a definite or indefinite period; (v) determine that some or all of the Excess Shares are to be sold; (vi) determine that some or all of the Excess Shares will not carry any right to any dividends or other-distributions from a particular time for a definite or indefinite period; and (vii) take such actions as it thinks fit for the purposes of this provision, including prescribing rules consistent with this provision, setting deadlines for the provision of information, drawing adverse inferences where information requested is not provided, converting any Excess Shares held in uncertificated form into certificated form or *vice-versa*, paying costs and expenses out of proceeds of sale of Excess Shares, and changing any decision or determination or rule previously made.
- The directors will have the full authority to determine the application of this provision, including the deemed application of the whole or any part of the City Code, and such authority will include all the discretion that the U.K. Panel on Takeovers and Mergers would exercise as if the whole or part of the City Code applied. Any resolution or determination made by any director acting in good faith will be final and conclusive and will not be open to challenge as to its validity or as to any other ground. The

directors will not be required to give any reason for any decision or determination they make. Any director may act as the duly appointed agent and/or attorney of any shareholder in relation to the execution of documents and other actions to be taken for the sale of the Excess Shares determined by the directors under this provision.

IF OUR SHAREHOLDERS DO NOT APPROVE THIS PROPOSAL, WE WILL NOT BE ABLE TO CONSUMMATE THE ACQUISITION.

Proposal

THAT subject to, and to be effective immediately following, the consummation of the Acquisition (as defined in the proxy and consent solicitation statement dated July 3, 2009), the Second Amended and Restated Memorandum and Articles of Association of the Company currently in effect be amended and restated by their deletion in their entirety and the substitution in their place of the Third Amended and Restated Memorandum and Articles of Association in the form attached at *Annex C* to the proxy and consent solicitation statement.

Required Vote

The adoption of the M&AA Amendment and Restatement Proposal will require the affirmative vote of the holders of two-thirds of the ordinary shares outstanding as of the Record Date.

Recommendation

Liberty's board of directors believes that it is fair to, and in the best interests of, Liberty that the shareholders approve the Proposal to amend and restate the M&AA, effective upon the consummation of the Acquisition, as reflected in the form of Liberty's Third Amended and Restated M&AA attached hereto as *Annex C*.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE M&AA AMENDMENT AND RESTATEMENT PROPOSAL.

THE INCENTIVE PLAN PROPOSAL

Background

The LTIP, the RSP, the Sharesave Plan and the SIP are proposed to be introduced for the purpose of incentivizing and motivating our employees following the completion of the Acquisition by reference to our shares. The BSP is proposed to be introduced to reward selected employees for their efforts and performance during the process of the Acquisition. Copies of the LTIP, the RSP, the BSP, the Sharesave Plan and the SIP are attached to this proxy and consent solicitation statement as *Annex D*, *Annex E*, *Annex F*, *Annex G* and *Annex H*, respectively.

Awards and options granted under the LTIP, the RSP and the BSP will initially be granted over Class B ordinary shares. Class B ordinary shares are not listed on any stock exchange. If ordinary shares are subsequently admitted to trading on the Official List of the London Stock Exchange, it is anticipated that any outstanding awards over Class B ordinary shares will be exchanged for awards over ordinary shares and that future awards and options under these plans will be granted over such ordinary shares. The Sharesave Plan and the SIP are intended to be approved by HMRC to allow participants to benefit from favorable tax treatment on the acquisition of our shares under those plans, and are not intended to be operated until such time as ordinary shares are admitted to trading on the Official List of the London Stock Exchange. Options and awards under these plans will, subject to HMRC approval, be granted over ordinary shares. Accordingly, references below to shares are to Class B ordinary shares or ordinary shares, as appropriate, on this basis.

The Long-Term Incentive Plan

Overview

The LTIP was adopted on July 2, 2009 by our board of directors, conditional on the approval of our shareholders, and provides for three types of share incentive to be granted over shares:

- a conditional share award, which entitles a participant to acquire or receive shares for no or only a nominal payment;
- a share option to acquire shares at a nil or nominal exercise price; and
- an allocation of shares which may be forfeited in certain circumstances.

An eligible individual may be granted a conditional share award, a share option, or an allocation of forfeitable shares or any combination of them (each a **"LTIP Award"**).

The LTIP provides that, in countries where an award or option involving real shares or an allocation of forfeitable shares is not appropriate or feasible for legal, regulatory or tax reasons, a phantom award may be used. This will deliver a cash payment equal to the net benefit a participant would have derived from the vesting or exercise of an LTIP Award. In certain circumstances, share based awards may be satisfied (in whole or in part) in cash.

Eligibility

All our employees, including our executive directors and those of our subsidiaries will be eligible to participate in the LTIP at the discretion of the remuneration committee.

Grant of LTIP Awards

Subject to any applicable dealing restrictions, the remuneration committee may grant LTIP Awards under the LTIP at any time while we are listed on Euronext. If our shares are admitted to trading on the Official List of the London Stock Exchange, grants may be made during the period of 42 days commencing on either (i) the date of that admission, (ii) the announcement of our results for any period or (iii) at such other time as the remuneration committee considers that exceptional circumstances exist which justify a grant.

No payment will be required for the grant of a LTIP Award.

Individual Limits

The remuneration committee will determine the appropriate level of grant for participants. However, the maximum number of shares under LTIP Awards granted to a participant in any twelve-month period will generally not have an aggregate market value, as measured at the date of grant, exceeding 300% of the participant's base salary. In exceptional circumstances, such as recruitment or retention, a limit of up to 400% of annual base salary will apply. Market value will be based on the closing middle market quotation for a share as derived from the relevant recognized stock exchange on which the shares are listed for the dealing day immediately preceding the date of grant or otherwise as determined by the remuneration committee. When determining the size of any individual grant, the remuneration committee will as far as possible take into account the likely impact of dividend enhancement, as described below. Where a participant will be required to bear the costs of employer's National Insurance Contributions on his LTIP Award, the number of shares under his award may, at the discretion of the remuneration committee, be increased to reflect this, subject to the maximum limit referred to above.

Dividend Enhancement

The number of shares which vest under a LTIP Award will be increased to reflect the value of dividends paid on shares during the vesting period.

Performance Conditions

LTIP Awards will be subject to performance conditions imposed by the remuneration committee at the date of grant. Performance conditions will generally be measured over a period of three years. The extent to which the performance conditions are satisfied will determine how many (if any) of the shares under a LTIP Award a participant is entitled to acquire or in the case of an allocation of forfeitable shares, to retain. Performance conditions will not be capable of being retested, so that any proportion of a LTIP Award which does not vest on the normal vesting date will lapse or be forfeited (as applicable).

The specific performance conditions applicable to a grant of a LTIP Award will be determined by the remuneration committee at the date of grant. However, as a general matter performance conditions will be demanding and stretching and, where appropriate, performance may be measured against a defined comparable group. Vesting levels will be determined on a sliding scale by reference to achievement of the performance conditions. The remuneration committee may determine that a LTIP Award should be subject to multiple conditions or that a LTIP Award should be sub-divided and that each part be subject to a different condition. The remuneration committee will be required to give due regard to best practice and any applicable codes published by regulators when setting performance conditions.

The remuneration committee may set different performance conditions for LTIP Awards granted in different years provided that, in the reasonable opinion of the remuneration committee, the targets are not materially less challenging in any year.

The remuneration committee may vary the performance conditions applying to existing LTIP Awards if an event occurs which results in the conditions no longer being a fair measure of performance provided that, in the reasonable opinion of the remuneration committee, the new conditions are not materially less challenging than the original conditions would have been but for the event in question.

Release or Exercise of LTIP Awards

Subject to satisfaction of the applicable performance conditions the vesting period for LTIP Awards will be three years after the date of their grant. Vested share awards will be released to participants automatically within 30 days of the date the shares vest. Vested share options will be exercisable up until the tenth anniversary of the date of grant, after which they will lapse. Vested forfeitable shares will cease to be subject to the risk of forfeiture on vesting.

LTIP Awards will normally only vest if the participant remains in employment with us or any of our subsidiaries. If a participant leaves our employment during the vesting period, vested and unvested parts of the

LTIP Awards will normally lapse or be forfeited. However, if the reason for leaving is injury, disability, ill-health, redundancy or any other reason at the remuneration committee's discretion, LTIP Awards will not lapse but will vest on the normal vesting date, to the extent that the remuneration committee determines that the performance conditions have been satisfied over the full vesting period but subject to a time pro rating reduction (based on the total number of complete months from the date of grant to the cessation of employment relative to a period of 36 months). Alternatively, the remuneration committee may, in its absolute discretion, determine that LTIP Awards should vest on the date of cessation of employment, subject to the satisfaction of the performance conditions at that date and to a time pro rating reduction. In either circumstance, the remuneration committee may determine that the pro rating reduction should not apply at all or should apply to a lesser extent. In the event of a participant's death, a LTIP Award will vest and the shares may be released or acquired by his or her personal representatives within twelve months of such event. The number of shares shall be subject to a time pro rating reduction unless the remuneration committee determines otherwise.

Corporate Events

In the event of a change of control, scheme of arrangement (or the equivalent in any jurisdiction in which we are registered) or voluntary winding-up, unvested LTIP Awards will vest to the extent that the performance conditions have been satisfied at the time of the relevant event but subject to a time pro rating reduction (based on the number of complete months from the date of grant to the date of the relevant event relative to a period of 36 months). The remuneration committee may in its discretion disapply the application of time pro rating or determine that pro rating should apply to a lesser extent. The remuneration committee may also allow or require LTIP Awards to be exchanged for equivalent awards over shares in the acquiring company. In the event of an internal reorganization which involves the creation of a new holding company, LTIP Awards will not vest and will be replaced by equivalent awards over shares in the new holding company.

If a demerger, special dividend or other similar event or transaction occurs which would affect the market value of a share to a material extent, then the remuneration committee may determine that LTIP Awards will vest as on a change of control.

The Restricted Stock Plan

Overview

The RSP was adopted on July 2, 2009 by our board of directors, conditional on the approval of our shareholders, and provides for three types of share incentives to be granted over shares:

- a conditional share award, which entitles a participant to acquire or receive shares for no or only a nominal payment;
- a share option to acquire shares at a nil or nominal exercise price; and
- an award of shares that may be forfeited in certain circumstances.

An eligible individual may be granted a conditional share award, a share option, or an allocation of forfeitable shares or any combination of them (each a **"RSP Award"**).

The RSP provides that, in countries where an award or option involving real shares or an allocation of forfeitable shares is not appropriate or feasible for legal, regulatory or tax reasons, a phantom award may be used. This will deliver a cash payment equal to the net benefit a participant would have derived from the vesting or exercise of a RSP Award. In certain circumstances, share-based awards may be satisfied (in whole or in part) in cash.

The remuneration committee's intention is that RSP Awards will only be made in special or unusual circumstances, such as where it may aid the recruitment of an individual or is necessary and/or desirable for the retention of a key employee.

Eligibility

All our employees, excluding our executive directors (other than on recruitment), and those of our subsidiaries will be eligible to participate in the RSP at the discretion of the remuneration committee.

Grant of RSP Awards

Subject to any applicable dealing restrictions, the remuneration committee may grant RSP Awards under the RSP at any time while we are listed on Euronext. If our shares are admitted to trading on the Official List of the London Stock Exchange, grants may be made during the period of 42 days commencing on either (i) the date of that admission, (ii) our announcement of our results for any period or (iii) at such other time as the remuneration committee considers that exceptional circumstances exist which justify a grant.

No payment will be required for the grant of a RSP Award.

Vesting of RSP Awards will not generally be subject to performance conditions, but the remuneration committee may, in its discretion, set performance or other objective conditions at the date of grant as conditions of vesting.

Individual Limits

The remuneration committee will determine the appropriate level of grant of RSP Awards for participants. When determining the size of any individual grant, the remuneration committee will, as far as possible, take into account the likely impact of dividend enhancement, as described below. Where a participant will be required to bear the cost of his employer's National Insurance Contributions on his RSP Award, the number of shares under his award may, at the discretion of the remuneration committee, be increased to reflect this subject to any limits imposed by the remuneration committee as referred to above.

Dividend Enhancement

The number of shares that vest under a RSP Award will be increased to reflect the value of dividends paid on shares during the vesting period.

Release or Exercise of RSP Awards

Subject to satisfaction of any vesting conditions, RSP Awards will vest three years after the date of their grant. Vested share awards will be released to participants automatically within 30 days of the date the shares vest. Vested share options are exercisable up until the tenth anniversary of the date of grant, after which they will lapse. Vested forfeitable shares will cease to be subject to the risk of forfeiture on vesting.

RSP Awards will normally only vest if the participant remains in employment with us or any of our subsidiaries. If a participant leaves our employment during the vesting period, vested and unvested parts of RSP Awards will normally lapse or will be forfeited. However, if the reason for leaving is injury, disability, ill-health, redundancy or any other reason at the remuneration committee's discretion, RSP Awards will vest on the normal vesting date, subject to a time pro rating reduction (based on the total number of complete months from the date of grant to the cessation of employment relative to a period of 36 months). Alternatively, the remuneration committee may, in its absolute discretion, determine that RSP Awards should vest on the date of the cessation of employment, subject to a time pro rating adjustment. In either circumstance, the remuneration committee may determine that the pro rating reduction should not apply at all or should apply to a lesser extent. In the event of a participant's death, a RSP Award will vest and the shares may be released or acquired by his or her personal representatives within 12 months of such event. The number of shares shall be subject to a time pro rating reduction unless the remuneration committee determines otherwise.

Corporate Events

In the event of a change of control, scheme of arrangement (or the equivalent in any jurisdiction in which we are registered) or voluntary winding-up of us, unvested RSP Awards will vest subject to a time pro rating

reduction based on the number of complete months from the date of grant to the date of the relevant event relative to a period of 36 months. The remuneration committee may, in its discretion, disapply the application of time pro rating or determine that time pro rating should apply to a lesser extent. The remuneration committee may also allow or require RSP Awards to be exchanged for equivalent awards over shares in any acquiring company. In the event of an internal reorganization which involves the creation of a new holding company, RSP Awards will not vest and will be replaced by equivalent awards over shares in the new holding company.

If a demerger, special dividend or other similar event or transaction occurs, which would affect the market value of our shares to a material extent, then the remuneration committee may determine that RSP Awards will vest as on a change of control.

The Bonus Share Plan

Overview

The BSP was adopted on July 2, 2009 by our board of directors, conditional on the approval of our shareholders. The BSP is designed to reward selected employees for their efforts and performance during the process of the Acquisition. Awards under the BSP may be granted over a maximum of 500,000 shares. These shares will be issued to an employee benefit trust for use in the BSP. The BSP provides for three types of share incentives to be granted over shares:

- a conditional share award, which entitles a participant to acquire or receive shares for no or only a nominal payment;
- a share option to acquire shares at a nil or nominal exercise price; and
- an allocation of shares which may be forfeited in certain circumstances.

An eligible individual may be granted a conditional share award, a share option, or an allocation of forfeitable shares or any combination of them (each a **"BSP Award"**).

Eligibility

All our employees, including our executive directors and those of our subsidiaries are eligible to participate in the BSP at the discretion of the remuneration committee. It is currently expected that only our executive directors and selected senior employees will be invited to participate in the BSP.

Grant of BSP Awards

Subject to any applicable dealing restrictions, the remuneration committee may grant BSP Awards under the BSP at any time while we are listed on Euronext. If our shares are admitted to trading on the Official List of the London Stock Exchange, grants may be made during the period of 42 days commencing on either (i) the date of that admission, (ii) the announcement of our results for any period or (iii) at such other time as the remuneration committee considers that exceptional circumstances exist which justify a grant. It is anticipated that the BSP Awards will be granted at, or shortly after, completion of the Acquisition.

Where a BSP Award takes the form of forfeitable shares, payment of the nominal value of the shares comprised in the BSP Award may be required for the grant of a BSP Award. In all other circumstances, no payment will be required for the grant of a BSP Award.

Release or Exercise of BSP Awards

BSP Awards are not subject to performance conditions. The vesting period for BSP Awards will be two years after the date of their grant. Vested share awards will be released to participants automatically within 30 days of the date the shares vest. Vested share options will be exercisable up until the tenth anniversary of the date of grant, after which they will lapse. Vested forfeitable shares will cease to be subject to the risk of forfeiture on vesting.

BSP Awards will normally only vest if the participant remains in employment with us or any of our subsidiaries. If a participant leaves our employment during the vesting period, the BSP Award will normally lapse or be forfeited. However, if the reason for leaving is injury, disability, ill-health, redundancy or any other reason at the remuneration committee's discretion, BSP Awards will not lapse but will vest in full on the date of cessation of employment. In these circumstances, where a BSP Award takes the form of forfeitable shares, the remuneration committee may require a participant to transfer the shares comprised in his BSP Award to us or to our order in consideration of the market value of the shares at the date of transfer.

In the event of a participant's death, a BSP Award will vest and the shares may be released or acquired by his or her personal representatives within twelve months of such event and may also be required by the remuneration committee to be transferred on the basis referred to above.

Corporate Events

In the event of a change of control, scheme of arrangement (or the equivalent in any jurisdiction in which we are registered) or voluntary winding-up, BSP Awards will vest in full at the time of the relevant event. The remuneration committee may also allow or require BSP Awards to be exchanged for equivalent awards over shares in the acquiring company. In the event of an internal reorganization which involves the creation of a new holding company, BSP Awards will not vest and will be replaced by equivalent awards over shares in the new holding company.

If a demerger, special dividend or other similar event or transaction occurs that would affect the market value of a share to a material extent, then the remuneration committee may determine that BSP Awards will vest as on a change of control.

The Sharesave Plan

Overview

The Sharesave Plan was adopted on July 2, 2009 by our board of directors, conditional on the approval of our shareholders. The Sharesave Plan will be submitted to HMRC for approval to enable tax favored options to be granted over shares to U.K. resident employees. Grants will only be made under the Sharesave Plan following admission of our shares to trading on the Official List of the London Stock Exchange and receipt of approval by HMRC.

Eligibility

All of our employees and full-time directors who are U.K. resident taxpayers are eligible to participate. The remuneration committee may require employees to have completed a qualifying period of employment of up to five years before they are eligible to participate in the Sharesave Plan. The remuneration committee may allow other employees to participate. Employees who have or have had more than a 25% interest in our share capital will be ineligible to participate.

Grant of Options

Options can only be granted to employees who enter into an approved savings contract with a designated bank or building society, under which monthly savings are made as deductions from pay. The participant must select the date on which his or her savings will be repaid to him (the maturity date) which may be three, five or seven years after the start of the contract.

Invitations to participate in the Sharesave Plan may be issued only during the period of 42 days commencing on any of the following: the approval of the plan by HMRC; the announcement of our results for any financial period; any changes to the legislation affecting savings-related share option schemes being announced, made or coming into effect; a resolution by our directors that exceptional circumstances have arisen which justify the grant of options (including, without limitation, the first admission of shares to trading

on the Official List of the London Stock Exchange); or restrictions on the grant or offer of options under any share dealing code ceasing to apply.

Individual Limits

A participant's aggregate monthly savings under all savings contracts linked to options granted under any sharesave scheme must not exceed the statutory maximum (currently £250). The remuneration committee can set a lower limit in relation to any particular grant.

The number of shares over which an option is granted will be such that the total exercise price payable will correspond to the proceeds on maturity of the related savings contract (i.e., the total savings plus accrued interest).

Exercise Price

The price per share payable upon the exercise of an option must not be less than 80% of the market value of a share on a date which is determined by our board of directors (but which may be not later than 30 days prior to the date of grant or 42 days if applications for options are scaled down where this is an oversubscription for options). The market value will be subject to agreement with HMRC. If the option is granted over ordinary shares which are admitted to trading on the London Stock Exchange, market value will be the average of the middle market quotations of such a share on the relevant exchange for the three consecutive dealing days immediately prior to the applicable valuation date. If the option relates to new issue shares, the exercise price must not be less than the nominal value of a share.

Exercise of Options

Options will normally only be exercisable during the six-month period following the maturity date of the relevant savings contract. Earlier exercise is permitted if the participant leaves employment in certain specified circumstances, otherwise options will lapse on the cessation of employment.

Options granted under the Sharesave Plan are not subject to performance conditions.

Leaving Employment

Options will lapse on cessation of employment with us unless the participant ceases employment for a specified reason. The participant may exercise options within six months of ceasing employment by reason of injury or disability, redundancy, retirement on reaching age 60 or the age at which a participant is bound to retire under his or her employment, the sale of the business or subsidiary company in which the participant is employed or, if the option has been held for at least three years, ceasing employment for any other reason. A participant may exercise his or her options within six months of reaching age 60 even though he or she does not leave employment. The personal representatives of a participant who dies may exercise his or her options within 12 months of the date of his death or if he or she dies within six months from the maturity of the relevant savings contract, 12 months from that maturity.

Corporate Events

In the event of a change of control of us as a result of a general takeover offer, or if a court approves a compromise or scheme of arrangement of us (or the equivalent in any jurisdiction in which we are registered), or if there is a winding up, options will become exercisable within limited specified periods of such events. We will notify participants of the relevant corporate event so as to enable them to exercise their options or take other action. Alternatively, participants may be offered equivalent new options over shares in a new holding company in exchange for their existing options.

The Share Incentive Plan

Overview

The SIP was adopted on July 2, 2009 by our board of directors, conditional on the approval of our shareholders, and will be submitted to HMRC for approval. Following receipt of approval, the acquisition of shares under the SIP may attract tax-favored treatment for U.K. resident employees. Awards will only be made under the SIP following admission of our shares to trading on the Official List of the London Stock Exchange and receipt of approval by HMRC.

Eligibility

All of our employees who are U.K. resident taxpayers will be eligible to participate in the SIP provided they satisfy any minimum service requirement that is imposed. We may set a minimum service requirement but that requirement cannot exceed 18 months' service. When the SIP is operated, all eligible employees must be invited to participate on similar terms.

Awards

In summary, the SIP allows participants to acquire shares under the terms of three types of awards:

- an award of free shares (**"Free Shares"**);
- the opportunity for employees to purchase shares with deductions from their pre-tax salary (**"Partnership Shares"**); and
- an award of free shares (**"Matching Shares"**) to those employees who have purchased Partnership Shares.

These elements may be operated individually or in conjunction with each other. In addition, employees can be required or allowed to reinvest dividends paid on their Free Shares, Partnership Shares and Matching Shares in further shares (**"Dividend Shares"**). Any shares acquired under the SIP must be held in a special trust on participants' behalf for a minimum period of time.

Free Shares

We may provide Free Shares to eligible employees up to a maximum value set from time to time by HMRC. The current maximum value is £3,000 per employee per annum. If we wish, the award of Free Shares can be based on the achievement of personal, team, divisional or corporate performance targets which must be notified to all relevant employees. Otherwise, Free Shares must be awarded to employees on the same terms subject only to variation according to an employee's remuneration, length of service or hours worked.

Partnership Shares

We may provide employees with the opportunity to acquire Partnership Shares from their pre-tax salary up to a maximum value set from time to time by HMRC, currently the lesser of £1,500 per annum or 10% of salary. Salary for these purposes includes base salary and any bonus. We may set a minimum monthly deduction that may not be greater than £10. Shares will be acquired on behalf of employees within 30 days after each deduction at a price equal to the market value of such shares on the date they are acquired. Alternatively, deductions can be accumulated for up to 12 months. In this case, shares will be acquired on behalf of employees within 30 days of the end of the accumulation period, at the lower of the market value of the shares on the date the accumulation period commenced and the date the shares are acquired.

Matching Shares

We may award Matching Shares to those employees who have purchased Partnership Shares. The Matching Shares must be offered on the same basis to all employees in such ratio as we may determine, but that ratio may not exceed two Matching Shares for every one Partnership Share purchased.

Dividend Shares

We may either give employees the opportunity, or may require them, to re-invest dividends paid on their Free Shares, Partnership Shares and Matching Shares in further shares up to a maximum value set by HMRC. This value is currently £1,500 per annum.

Holding Period

Free Shares and Matching Shares must generally be held in the SIP trust for a minimum period set by us, which may not be less than three years nor more than five years from the date on which such shares are allocated to employees. Partnership Shares are not subject to any specific holding period. Dividend Shares must generally be held in the SIP trust for a minimum period of not less than three years. Partnership Shares are not subject to any specific holding period.

Leavers

We can provide for Free Shares and Matching Shares to be forfeited if employees cease employment with our group within a period of up to three years from the date on which the shares were allocated other than in specified circumstances such as redundancy, disability, injury or retirement on or after reaching age 60.

Employees may withdraw their Partnership Shares from the SIP trust at any time. However, we may stipulate that Matching Shares will be subject to forfeiture if the corresponding Partnership Shares are withdrawn within a specified period (not exceeding three years) of their purchase. We may also stipulate that Free Shares and Matching Shares may be forfeited if an employee withdraws them from the SIP trust within a specified period (not exceeding three years) from the date they were allocated. Forfeiture will not apply if the shares are withdrawn from the SIP as a result of a change of control of our group.

Corporate Events

In the event of any reconstruction or takeover of us, employees may direct the trustee of the SIP how to act in respect of any shares held on their behalf.

Rights Issues

Whenever rights to acquire shares or other rights of any nature are granted by us in respect of our ordinary shares held in the SIP on behalf of participants, participants may instruct the trustee to take up all or part of the rights, to sell the rights and/or to allow all or part of the rights to lapse.

Terms Applicable to All of the Share Plans

The terms below apply to all Share Plans.

Time Limit for Grants of Options and Awards

Options and awards may not be granted more than ten years after the date the Share Plans are adopted by our shareholders.

Satisfaction of Options and Awards

Options and awards may be satisfied by the issue of new shares, a transfer of treasury shares or the transfer of existing shares. The shares used for the BSP Awards will be shares allocated to an employee benefit trust at, or shortly after, the consummation of the Acquisition.

Variation of Capital

In the event of any variation in our share capital (including a rights issue or any sub-division or consolidation of the share capital), a demerger, a payment of a special dividend, or similar event which materially affects the market price of the shares, the number of shares under option or award and/or the price

payable on the exercise of an option may be adjusted as considered appropriate by the remuneration committee. In the case of the HMRC-approved Share Plans, any such adjustment will be subject to the prior approval of the HMRC.

Overall Plan Limits

We may not grant options or awards under any of the Share Plans or any other share plans adopted by us or any other company under our control if such grant would cause the aggregate number of shares issued or issuable pursuant to options or awards granted in the preceding ten years under those plans to exceed 10% of our issued ordinary share capital at the proposed date of grant.

In addition, we may not grant options or awards under the LTIP, the RSP, the BSP or any other discretionary share plan adopted by us or any other company under our control if such grant would cause the aggregate number of shares issued or issuable pursuant to options or awards granted in the preceding ten years under those plans to exceed 5% of our issued ordinary share capital at the proposed date of grant.

In addition, we may not grant a BSP Award if such grant would cause the aggregate number of shares subject to BSP Awards to exceed 500,000 shares.

The satisfaction of options and awards with treasury shares will be treated as an issue of shares for the purposes of the above limits for so long as U.K. institutional shareholder guidelines recommend this. If options and awards are to be satisfied by a transfer of existing shares, the percentage limits stated above will not apply.

If our shares are admitted to trading on the Official List of the London Stock Exchange, any options or awards granted under the Share Plans before such listing, or any other all-employee share plans adopted by us before such listing, will not be taken into account for the purposes of calculating the above limits.

Other Features of Options and Awards

Options and awards are not transferable, except on death. Options and awards are not pensionable. Unless the remuneration committee determines otherwise, awards and options will lapse if a participant is declared bankrupt.

Rights Attaching to Shares

Any shares allotted when an option is exercised or an award vests will rank *pari passu* with shares then in issue (except for rights arising by reference to a Record Date prior to their allotment). At any time when the shares are admitted to listing on a recognized stock exchange, application will be made for any newly issued shares to be admitted to such listing and admitted to trading on the relevant exchange.

Alterations to the Share Plans

The remuneration committee may amend the Share Plans in any respect, provided that the prior approval of shareholders is obtained for any amendment to the advantage of participants to the following provisions: the individuals who may participate in the plan, the limits on the number of shares available under the plan, the maximum entitlement of participants, the basis for determining a participant's entitlement and the adjustment of options or awards on a variation of our share capital.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor amendment made to benefit the administration of the Share Plans, to take account of a change in legislation or to obtain or maintain favorable tax, exchange control or regulatory treatment for eligible employees, participants or for any company in our group. Shareholder approval will also not be required for any amendment to any performance conditions, provided that any such amendment is made on the basis referred to above under "— The Long-Term Incentive Plan — Performance Conditions."

Amendments that would adversely affect subsisting rights are subject to specified limitations. Amendments to plans approved by HMRC are generally subject to the prior approval of HMRC.

We may modify or extend any of the Share Plans to apply in different jurisdictions, having regard to securities, exchange control and tax laws in such jurisdictions. Any such amendment must conform to the basic principles of the relevant Plan and cannot enlarge the individual or overall limits applicable to that Share Plan.

IF OUR SHAREHOLDERS DO NOT APPROVE THIS PROPOSAL, WE WILL NOT BE ABLE TO CONSUMMATE THE ACQUISITION.

Proposal

Subject to, and to be effective upon the consummation of the Acquisition:

(i) **THAT** the LTIP (as defined in the proxy consent and solicitation statement dated July 3, 2009) be and is hereby approved and that the directors of Liberty be and are hereby authorised to do all such acts and things as they may consider appropriate to implement the LTIP including the making of any amendments to the rules and the establishment of any sub-plans for the benefit of employees outside the United Kingdom (modified as necessary to take account of relevant exchange control, taxation and securities laws of the relevant jurisdiction);

(ii) **THAT** the RSP (as defined in the proxy consent and solicitation statement dated July 3, 2009) be and is hereby approved and that the directors of Liberty be and are hereby authorised to do all such acts and things as they may consider appropriate to implement the RSP including the making of any amendments to the rules and the establishment of any sub-plans for the benefit of employees outside the United Kingdom (modified as necessary to take account of relevant exchange control, taxation and securities laws of the relevant jurisdiction);

(iii) **THAT** the BSP (as defined in the proxy and consent solicitation statement dated July 3, 2009) be and is hereby approved and that the directors of Liberty be and are hereby authorised to do all such acts and things as they may consider appropriate to implement the BSP including the making of any amendments to the rules and the establishment of any sub-plans for the benefit of employees outside the United Kingdom (modified as necessary to take account of relevant exchange control, taxation and securities laws of the relevant jurisdiction);

(iv) **THAT** the Sharesave Plan (as defined in the proxy consent and solicitation statement dated July 3, 2009) be and is hereby approved and that the directors of Liberty be and are hereby authorised to do all such acts and things as they may consider appropriate to implement the Sharesave Plan including the making of any amendments to the rules as may be necessary or desirable to obtain approval from HMRC of the United Kingdom for the Sharesave Plan; and

(v) **THAT** the SIP (as defined in the proxy consent and solicitation statement dated July 3, 2009) be and is hereby approved and that the directors of Liberty be and are hereby authorised to do all such acts and things as they may consider appropriate to implement the SIP including the making of any amendments to the rules as may be necessary or desirable to obtain approval from HM Revenue & Customs of the United Kingdom for the SIP.

Required Vote

The adoption of each of the above Plans will require the affirmative vote of the holders of a majority of the ordinary shares that are present in person or by proxy and entitled to vote at the extraordinary general meeting.

Recommendation

Liberty's board of directors believes that it is fair to, and in the best interests of, Liberty that the shareholders approve the Proposal to adopt the Share Plans.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE INCENTIVE PLAN PROPOSAL.

THE ADJOURNMENT PROPOSAL

Proposal

The Adjournment Proposal, if presented by Liberty's board of directors at the extraordinary general meeting, would allow the extraordinary general meeting to be adjourned by the chairman to a later date or dates, if necessary, to permit further solicitation of proxies in the event, based on the tabulated votes, there are not sufficient votes at the time of the extraordinary general meeting to approve the consummation of the Acquisition. In no event will Liberty solicit proxies to adjourn the extraordinary general meeting or consummate the Acquisition beyond the date by which it may properly do so under its M&AA and Cayman Islands law.

Consequences If Adjournment Proposal Is Not Approved

If an Adjournment Proposal is presented to the extraordinary general meeting and is not approved by the shareholders, Liberty's board of directors will not be able to adjourn the extraordinary general meeting to a later date in the event, based on the tabulated votes, there are not sufficient votes at the time of the extraordinary general meeting to approve the consummation of the Acquisition. In such event, the Acquisition will not be completed and, unless Liberty is able to consummate a business combination with another party no later than February 13, 2010, Liberty will be required to liquidate and dissolve.

Regardless of whether this Adjournment Proposal is approved, our chairman may adjourn the extraordinary general meeting to a later date or dates if there is not a quorum of shareholders present in person or by proxy to hold a valid general meeting on the originally scheduled date of the meeting.

Required Vote

The approval of the Adjournment Proposal will require the affirmative vote of the holders of a majority of the ordinary shares that are present in person or by proxy and entitled to vote at the extraordinary general meeting.

Recommendation

Liberty's board of directors believes that is it in the best interests of Liberty that the shareholders approve the Adjournment Proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE ADJOURNMENT PROPOSAL.

INDUSTRY

Sources of Industry Data

Except as otherwise indicated, all industry data regarding the U.K. insurance and pensions industry in this proxy and consent solicitation statement is from publications prepared by the Association of British Insurers, the trade association for the U.K. insurance industry. Neither we nor the Pearl Group have independently verified this industry data.

Overview of U.K. Life Insurance and Pensions Market

The U.K. life insurance industry is the largest in the European Union and the third largest in the world. The FSA, the U.K. financial services regulator, has authorized 255 companies to carry out long-term life insurance business, such as life and disability insurance and private pensions, in the United Kingdom. Companies that carry out long-term life insurance business are referred to in this proxy and consent solicitation statement as life companies. In the United Kingdom, total life and pensions premiums amounted to £185 billion and total payments to policyholders amounted to £170 billion in 2007. As of December 31, 2007, the U.K. insurance industry had £1,599 billion of investments on behalf of customers, including £1,478 billion of long-term investments.

The large size of the U.K. long-term life insurance market compared to other major Western European countries is generally attributed to the less generous nature of U.K. state pension and disability benefits. Therefore, U.K. residents tend to look to life companies to supplement state benefits, largely through contributions to private pension schemes that are sold and administered by life companies. Contributions to U.K. private pension schemes are exempt from income taxation for taxpayers earning up to £150,000 per year. Contributions by taxpayers earning more than £150,000 per year are exempt from income taxation at the 20% basic rate of taxation, with such taxpayers being entitled to full tax relief on certain amounts of contributions until the 2011/12 U.K. tax year. Many employers match employee contributions to company pension schemes.

The U.K. long-term life insurance market consists of two sectors:

- the open life fund sector, which comprises life companies that continue to write new business, marketing their products to new policyholders through various distribution channels; and
- the closed life fund sector, which comprises life companies that are closed to new business and are in "run off." These companies continue to accept premiums on existing policies and administer and manage policyholder assets until the underlying policies mature or expire.

Often, within a single insurance group, there may be life companies that continue to accept new customers as well as companies that are closed to new business.

Closed Life Funds

Reasons for Fund Closures

Life companies may close to new business for a number of reasons, including:

- insufficient capital strength to support taking on new policies;
- poor levels of profitability on new business; and
- strategic decisions to stop writing certain types of new business, such as with-profits policies.

In writing new business, life companies incur significant marketing expenses and commission payments at the time new policies are sold. While life companies generally recover these up-front costs and earn profits through margins embedded in the premiums charged to policyholders (particularly for protection and annuity products) and through other charges and asset management fees (for with-profits and unit-linked products), the pay-back periods for the up-front costs are often up to and sometimes in excess of ten years. In addition, life

companies are required to set up substantial reserves at the time new business is written and to continue to hold significant levels of capital in order to be able to meet future policyholder liabilities.

The capital position of life companies may be negatively impacted by poor investment returns, declining long-term interest rates, continuing poor performance and uncertainty in debt and equity markets. These factors can cause a reduction in the value of assets backing the liabilities of life companies. Between 2001 and 2003, the poor performance of equity markets had a strong adverse impact on the U.K. life insurance and pensions industry, resulting in regulatory capital issues and a number of regulatory changes and other issues impacting the industry as a whole. This led to a number of life companies having insufficient capital strength to continue to absorb the initial costs of writing new policies. As a result, a number of life companies concluded that shareholder value was best maximized by closing existing funds to new business and managing these closed funds as efficiently as possible. In addition, some life companies disposed of their closed funds.

Similar issues to those that arose in the 2001 to 2003 period have resurfaced amidst the ongoing turmoil in financial markets due to the poor performance of most asset classes, which is adversely affecting the capital position of many life companies. The Pearl Group's management believes that, in the current market environment, many life companies are being forced to write unprofitable new business to protect market share. In addition, pressures on capital are expected to be exacerbated by the expectation that the FSA will require U.K. life companies to undergo more onerous stress tests and retain additional capital to meet further declines in asset values. As a result, the Pearl Group's management expects more funds will close to new business and a number of closed fund life companies will be put up for sale in the next few years, as some insurance groups seek to release value from closed funds to support their ongoing new business.

Closed Life Fund Characteristics

A closed life fund is essentially a pool of assets and a series of cascading cash obligations that run-off as the underlying life and pension policies expire or reach maturity. These cash obligations represent a collection of largely long-dated liabilities comprising matured or maturing policies that entitle policyholders to defined future payments of a steady and generally predictable nature. Depending on the specific policy, policyholders may be entitled to a cash payout at the policy's maturity date or on the death of the policyholder, or a series of payouts and/or participation in the investment returns generated by the assets backing the policy. To meet these long-dated liabilities, life companies hold substantial assets collected as premiums, which are invested in a wide variety of asset classes, subject to rules set out by the relevant E.U. or U.K. regulator and the terms and conditions of the policies.

Competitive Environment for Closed Fund Consolidators

Closed fund consolidators compete with each other for the acquisition of closed life companies that may, from time to time, become available in the market. Generally, these life companies are acquired at a discount to embedded value. Embedded value is a common valuation method used outside North America in the insurance industry. Embedded value is a measure of the inherent value of the remaining policies within a life company or, stated otherwise, a measure of the profit the life company expects to make from its policies over time. In general terms, embedded value is calculated by adding today's discounted value of the existing policies (i.e., the VIF or estimated future profits) to the market value of net assets (i.e., the difference between the value of life company assets and statutory liabilities plus regulatory capital requirements).

Over the past five years, a limited number of closed fund consolidators have acquired U.K. closed fund life companies. These consolidators include Chesnara plc, Deutsche Bank, the Pearl Group, Resolution Life Group (subsequently renamed Resolution plc) and Swiss Re. These acquisitions and the acquisition price to embedded value multiples paid in consideration are set out in the following table:

Announcement Date	Target	Acquirer	Price/Embedded Value[1]
August 2008	Barclays Life	Swiss Re (Admin Re)	0.90x
October 2007[2]	Resolution plc	Pearl Group	0.82x[3]
July 2007	Abbey Life (Lloyds TSB)	Deutsche Bank	1.04x
October 2006	GE Life[4]	Swiss Re (Admin Re)	n/a
June 2006[2]	Abbey life businesses[4]	Resolution plc	0.97x
June 2005[2]	Resolution Life Group[5]	Britannic Group plc[5]	0.88x
May 2005	City of Westminster Assurance	Chesnara plc	0.80x
March 2005[2]	Century Group	Britannic Group plc	0.69x
December 2004[2]	Allianz Cornhill Life	Britannic Group plc	0.72x
December 2004[2]	HHG Life Services business	Life Company Investor Group[6]	0.81x
December 2004[2]	Swiss Life UK	Resolution Life Group	0.76x
July 2004[2]	Royal & Sun Alliance UK life operations	Resolution Life Group	0.65x

Source: Public announcements or filings by the relevant acquiring or target life company.

(1) Because life companies do not calculate embedded value identically, the price/embedded value ratios in this column may not be comparable in all respects.

(2) Acquisitions of life companies that are currently within the Pearl Group.

(3) Based on consideration of £5.2 billion (the total purchase price based on Resolution's fully diluted share capital of 691,286,660 ordinary shares and an offer price of 720 pence per Resolution share plus £235 million as a result of refinancing Resolution's outstanding debt) less consideration paid by Royal London of £1.3 billion (subject to certain post-closing adjustments), and post-transaction adjusted embedded value of £4.8 billion attributable to the Resolution assets acquired by Pearl (based on transaction due diligence). The calculation excludes true-ups with Royal London since they were not known when the transaction was announced or when it closed.

(4) While the relevant target's business included predominantly closed fund operations, it also included open fund operations.

(5) Following Britannic Group plc's acquisition of Resolution Life Group, Britannic Group plc was renamed Resolution plc.

(6) Subsequently renamed Pearl Group Limited.

Common Types of U.K. Life Insurance and Pension Policies

The most common types of U.K. long-term insurance and pension policies are with-profits and non-profit policies. The majority of these policies are, in effect, savings products, although certain policies aim to provide policyholders or their dependents with lump-sum benefits in the event of death or disability.

Non-Profit Policies

A non-profit, or non-participating, policy is one where the value of the policy is either linked directly to the performance of the underlying assets or is guaranteed by the insurer. Non-profit policies include protection policies, such as life and disability insurance policies, which pay out lump sums on death or disability, and annuities, which provide an income stream over the life of the policyholder. The life company's shareholder fund generally is entitled to retain 100% of the incremental investment returns from non-profit funds.

A unit-linked policy is a type of non-profit policy where the benefits are determined by reference to the investment performance of a specified pool of assets. The policyholder elects which units in a diversified

open-end or closed-end fund to purchase. Unit-linked funds include personal and group pension plans and feature regular and single-premium savings. They operate on a similar basis to US mutual funds, with the life company often charging a fee based on the value of the funds.

With-Profits Policies

A with-profits, or participating, policy is one where the benefits of the policy are determined, in part, by the bonuses declared by the life company in favor of policyholders. Policy payouts are "smoothed" to lessen the impact of changes in the underlying value of the assets in the short term. With-profits funds may be either endowments or deferred annuities. Endowments may be single or multi-payment policies with minimum guaranteed sums on death or maturity, while deferred annuities are accumulation vehicles for pensions with beneficial tax treatment. All with-profits policies are entitled to potential incremental bonuses throughout the life of the policy as well as a terminal, or final, bonus. The terminal bonus represents the policyholder's final share of the assets of the fund. Any available surplus held in a with-profits fund may only be used to meet the requirements of the fund itself or distributed to the fund's policyholders and the life company's shareholders. For example, the traditional with-profits fund provides for a 90:10 policyholder/shareholder split, entitling the life company's shareholder fund to a 10% share of the profits in any bonus declared. This policyholder/shareholder split enables the life company to transfer most of the investment risk of the with-profits fund to policyholders.

Life companies also charge an asset management fee based on the value of with-profits funds.

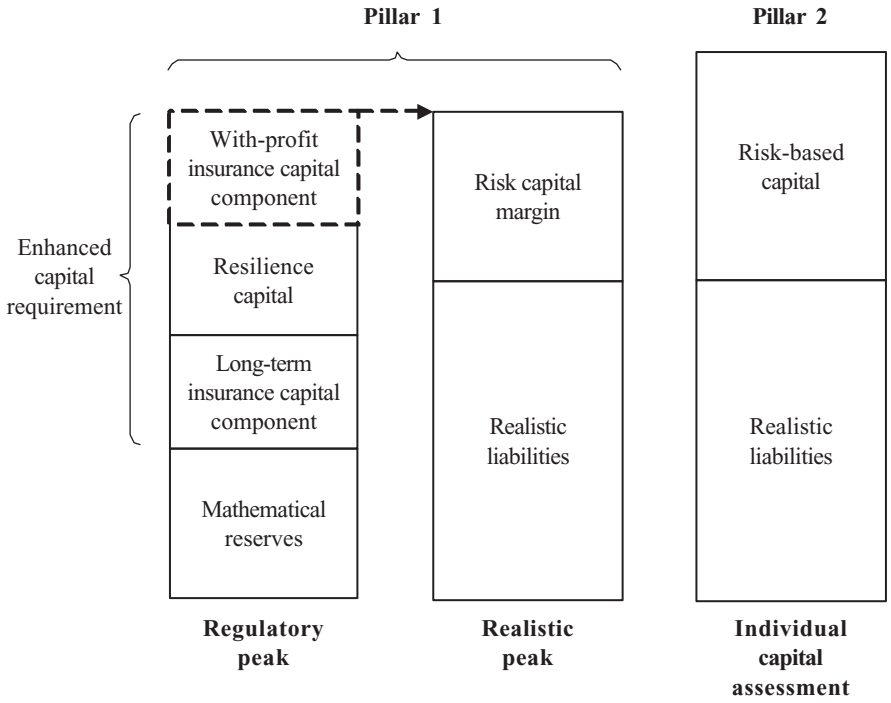
U.K. regulations require that regulatory capital reserving for with-profits policies take into account annual bonuses and annual interest credited to policyholders, as these are "attached" to the policies and therefore guaranteed.

General Overview of the U.K. Regulatory Capital Framework

Overview

Each U.K. life company must retain sufficient capital at all times to meet the regulatory capital requirements mandated by the FSA. In addition to E.U.-directive-based "Pillar 1" and group capital requirements, the FSA has also stipulated a "Pillar 2" of risk-based capital requirements that have been implemented in the United Kingdom. A life company's actual capital requirement is based on whichever of the Pillar 1 or Pillar 2 requirement turns out to be more onerous for the company. Each life company generally holds an amount of capital that is greater than the minimum required amount to allow for adverse events in the future that may use capital and cause the company to fail the minimum level of regulatory capital test.

The following diagram provides an overview of the U.K. regulatory capital framework:



Pillar 1

Regulatory Peak

With the exception of with-profits businesses, the regulatory capital requirement under Pillar 1 is the total amount held in respect of investment, expense and insurance risks (the "long-term insurance capital component") and any additional amounts required to cover the more onerous of two specified stress tests (the "resilience capital requirement"). The regulatory capital requirement is then deducted from the available capital resources to give the regulatory basis excess capital.

Realistic Peak

A further test is required under Pillar 1 in respect of with-profits funds. This test compares the life company's level of realistic basis excess capital to the regulatory basis excess capital and, in circumstances where the realistic basis excess capital position is less, the life company is required to hold additional capital to cover the shortfall. The realistic basis excess capital is calculated as the difference between realistic assets and realistic liabilities of the with-profits fund with a further deduction to cover various stress tests (the "risk capital margin"). Any additional capital requirement under this test to that of the regulatory peak is referred to as the "with-profits insurance capital component."

Pillar 2

The Pillar 2 capital requirements are based on a self-assessment methodology, the so-called individual capital assessment methodology. This methodology determines the capital requirement to ensure that the life company's realistic liabilities can be met in one-year's time with a 99.5% confidence level, or a one-in-200-year event. This assessment includes both mathematically and subjectively derived risk capital tests.

The FSA reviews each life company's individual capital assessment and may impose additional capital requirements if necessary. To the extent that the subsidiary life company subsequently is unable to satisfy its

policyholder liabilities, undistributed shareholder funds may be required to be transferred back to the subsidiary's policyholder funds.

IGD Solvency Surplus

FSA-regulated insurance groups (including their insurance holding companies) are required to provide capital adequacy calculations on a group-wide basis, a so-called "**IGD solvency surplus**," to enable the FSA to assess both the level of insurance and financial risk within the relevant insurance group and the resources available to cover this risk.

For more information about the U.K. regulatory capital framework, see "Information About the Pearl Group — Regulation."

INFORMATION ABOUT THE PEARL GROUP

Business Overview

The Pearl Group is a closed life fund consolidator that specializes in the management and acquisition of closed life and pension funds and operates primarily in the United Kingdom. Measured by total assets, the Pearl Group is the largest U.K. consolidator of closed life funds.

The Pearl Group was formed in connection with Sun Capital's and TDR Capital's acquisition of HHG PLC's closed life companies in April 2005 and was further expanded with the acquisition of Resolution in May 2008. The Pearl Group does not write any new policies (other than increments to existing policies) and is therefore focused on the efficient "run off" of the group's policies, maximizing economies of scale and generating capital efficiencies through internal fund mergers and other operational improvements.

The Pearl Group has eight main life companies:

- Pearl Assurance;
- London Life;
- National Provident Life;
- NPI;
- Phoenix Life;
- Phoenix and London Assurance;
- Phoenix Pensions; and
- SMI.

These companies have a diversified mix of long-term business, with policyholder liabilities split approximately 59% with-profits, 23% non-profit and 18% unit-linked as of December 31, 2008.

The Pearl Group's two wholly-owned service companies, Pearl Group Services and Pearl Group Management Services, aim to provide all administrative services required by the Pearl Group life companies, including policy administration, information technology, finance and facility management services.

The Pearl Group also has two asset management businesses:

- Ignis is a traditional asset manager, with £47.5 billion of assets under management as of December 31, 2008, including £41.7 billion of Pearl Group life company assets and £5.8 billion of third-party assets (including £1.5 billion of assets subsequently transferred to Royal London); and
- Axial specializes in providing asset management and asset liability management services to the Pearl Group life companies and related companies, including asset allocation and risk management advice, with £23.4 billion of Pearl Group and related company assets under management as of December 31, 2008, managed by both external investment managers, under Axial's oversight and directly by Axial in relation primarily to fixed-income assets.

As of December 31, 2008, the Pearl Group had an unaudited gross embedded value of £4.75 billion, approximately 7.6 million policies in force representing liabilities of £60.9 billion and total assets under management of approximately £70.9 billion, including both assets of the Pearl Group life companies and third-party assets managed by the Pearl Group.

History

The Pearl Group originally comprised three main life groups that were acquired by the Australian financial group AMP Limited over a ten-year period between 1989 and 1999: Pearl Assurance, London Life and National Provident Life.

London Life had been closed to most new business lines in 1995. In 2002 and 2003, AMP ceased writing new business for most Pearl Assurance, London Life and NPI with-profits and annuity products.

In December 2003, AMP Limited de-merged, or spun off, its U.K. operations and its life companies became part of a company called HHG PLC, which listed on the London Stock Exchange.

In December 2004, the HHG PLC board announced the sale of HHG PLC's closed life companies for £1.1 billion to Sun Capital and TDR Capital. In April 2005, this acquisition was completed and these life companies became part of the newly formed Pearl, and HHG PLC was renamed Henderson Group plc.

On May 1, 2008, Pearl, through its subsidiary Impala, acquired Resolution plc, a holding company for a group of closed life companies that was then listed on the London Stock Exchange, for a purchase price of £5.0 billion through a competitive bidding process. In connection with this acquisition, the Pearl Group agreed to transfer the On-Sold Resolution Assets to Royal London for total consideration of £1.3 billion (subject to certain post-closing adjustments), with effect as of May 1, 2008. Resolution plc delisted from the London Stock Exchange on May 6, 2008 and was subsequently renamed Pearl Group Holdings (No. 1) Limited.

The Pearl Group is not affiliated with Resolution Limited, a company founded, after the purchase of Resolution plc by the Pearl Group, for the purpose of acquiring companies in the financial sector and listed on the London Stock Exchange.

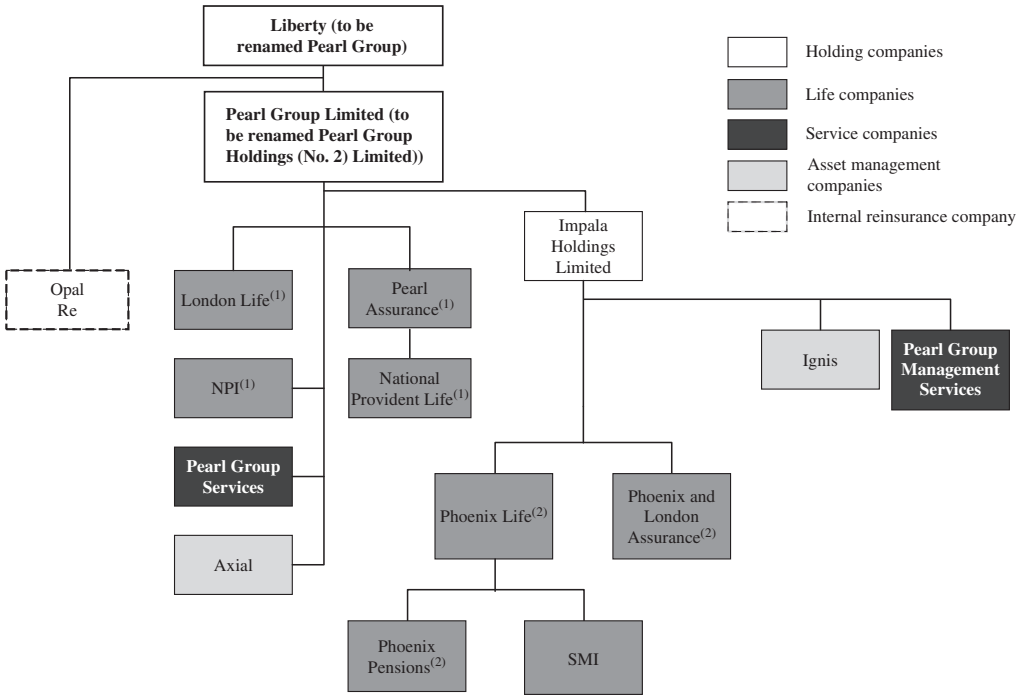
As a result of the merger of Britannic Group plc and Resolution Life Group Limited completed on September 6, 2005, Resolution plc (as Britannic Group plc was renamed) became the largest consolidator of closed life funds in the United Kingdom at the time. In 2003, Britannic Group closed for new business and adopted a strategy focused on the acquisition of closed life funds. Resolution Life Group had been founded in 2003 for the purpose of buying and managing closed life funds and became a constituent of the FTSE 100 Index in 2006. Since December 2005, the closed life books of Britannic, Royal & Sun Alliance, Swiss Life UK, Bradford Insurance, Century Group, Scottish Provident and Scottish Mutual Assurance have been consolidated within Phoenix Life, a member of the Pearl Group, through a number of transfers under Part VII of the FSMA.

The former asset management business of the Britannic Group, Britannic Asset Management Limited, was renamed Resolution Asset Management Limited and, following its acquisition by the Pearl Group, was re-launched under the "Ignis" brand.

Group Structure

The Pearl Group has three types of operating subsidiaries: life companies, service companies and asset management companies. The group's corporate operating framework aims to provide all administrative services required by the Pearl Group life companies through the two group service companies, with asset management provided by Ignis or Axial, either directly or though the use of external managers.

The following chart provides an overview of the principal operating subsidiaries of the Pearl Group following the completion of the proposed Acquisition:



(1) Pearl Assurance, London Life, NPI and National Provident Life together comprise the "Pearl life companies."

(2) Phoenix and London Assurance, Phoenix Life, Phoenix Pensions and SMI together comprise the "Impala life companies."

Strengths

The Pearl Group's management believes that the group's principal strengths are:

Predictable, long-term cash flows that are not constrained by the capital requirements and other risks of writing new business

The Pearl Group's closed funds provide reasonably visible fund maturity and liability profiles, creating more predictable long-term cash flows for distributions to policyholders and shareholders and payment of outstanding debt incurred by the Pearl Group than open funds. As closed funds have no new business function, the Pearl Group does not incur the costs of running sales and marketing or customer acquisition divisions and does not need to hold capital to support the writing of new policies. Instead, the costs to the Pearl Group closed funds are generally limited to recurring expenses. In addition, the Pearl group business being a closed fund business is not subject to certain operational risks, such as mis-selling of new policies, and other regulatory compliance issues.

The Pearl Group's cash flows are generated from the interest earned on capital, the release of excess capital requirements, policyholder charges and management fees earned on assets. Although the Pearl Group's participation in investment returns is less predictable, investment risks are mainly borne by policyholders in accordance with the terms of the relevant policies. In addition, as the life companies' policies run-off, excess capital supporting these liabilities can be released from the life companies to their holding company shareholders.

As a consolidator of closed funds, the Pearl Group uses outsourcers to match its closed funds' cost base to the run-off profile of their policies, as outsourcers' charges are generally based on a variable, per-policy cost structure. The Pearl Group's management believes additional economies of scale and, in turn, additional surplus cash flows can be generated through the sharing of services across a greater number of funds and policies.

In addition to expense savings, the Pearl Group as a closed fund consolidator attempts to reduce the level of required capital by combining individual funds allowing for greater diversification and therefore a lower overall capital requirement. Fund combinations also create potential tax synergies and the opportunity to generate further surplus cash flows by exploiting the differing tax positions of each fund, allocating unused tax losses in one fund to offset profits in another.

The following table gives an overview of the Pearl Group's extraction of cash from its life companies for the years indicated:

	Year Ended December, 31		
	2008	2007	2006
	(In millions)		
Pearl life companies			
Total cash dividends	£ 127	£ 86	£209
Total cash loans	370	86	80
Total cash from Pearl life companies	**£ 497**	**£172**	**£289**
Impala life companies			
Total cash loans[(1)]	574	—	—
Total cash from Impala life companies	**£ 574**	**—**	**—**
Total cash distributed from Pearl and Impala life companies	**£1,071**	**£172**	**£289**

(1) As the Impala life companies were not controlled by the Pearl Group in 2006 and 2007, cash extracted from the Impala life companies in those years has been excluded.

Asset backed business with ability to withstand market stresses

The Pearl Group's embedded value is relatively insensitive to market movements due to its conservative investment and hedging strategy and the sharing of investment risks in whole or in part with its policyholders. In addition, the Pearl Group's embedded value has a low sensitivity to increases in policy surrender rates.

Profitable and scaleable asset management businesses providing yield enhancement and improved returns

The Pearl Group's management believes that the asset liability management operations of its asset management businesses are a key differentiator in the group's business model. The Pearl Group's management believes that its asset management businesses have a sufficiently diverse range of products to take advantage of current market conditions as well as to generate further value through potential future consolidation in the U.K. asset management industry. In addition, the Pearl Group's management believes that these asset management businesses' expertise enable the Pearl Group to manage its assets to effectively generate incremental returns to its policyholders and the holding-company shareholders of its life companies. The Pearl Group's asset management businesses generate their fees from a wide range of underlying asset classes, including cash, government debt securities, property, equities and corporate debt, reducing their exposure to decreases in market values of specific asset classes. Ignis also has an established presence in the third-party asset management market in both the U.K. retail and institutional channels and internationally, generating an average of £1.3 billion of new gross third-party assets under management over the last three financial years. The Pearl Group's asset management businesses generated total pre-tax operating profit of £44 million in 2008.

Proven management team able to deliver synergies and mitigate the risk from underlying investments

Since its acquisition by Sun Capital and TDR Capital in April 2005 and excluding the value created by or as a result of the acquisition of Resolution, the Pearl Group management team delivered over £600 million of value creation through December 31, 2008. This value was created through the use of increased business-process outsourcing, enhanced capital management, fund restructurings, the release of provisions and asset and other disposals. The Pearl Group also successfully unwound and realized the complex investments inherited on the acquisition of the former HHG closed life companies, including asset-backed securities and collateralized debt obligations, prior to the credit turmoil that began in August 2007; and recruited an industry-leading asset management and asset liability management team. These actions have helped to mitigate some of the adverse effects of the recent credit turmoil on the Pearl Group compared to other financial institutions. As a result of the foregoing measures, the unaudited gross embedded value of the former HHG closed life companies (i.e., excluding the value created by or as a result of the acquisition of Resolution) calculated in accordance with the Pearl Group's embedded value methodology increased, despite dividend distributions and debt repayments totaling £670 million, to £1.6 billion (excluding the write-down of Pearl's interest in Impala for accounting purposes for the year ended December 31, 2008) as of December 31, 2008, from £1.3 billion as of June 1, 2004.

Potential for improvement in embedded value and cash flows through existing and future management initiatives

The Pearl Group's management team believes it has successfully delivered the cost savings and synergies of the Resolution acquisition ahead of plan, including annual cost savings of £10 million from the rationalization of the combined companies' operations. The Pearl Group's management believes it has also successfully restructured the charging basis between the combined Pearl Group and Resolution life and services companies to release capital and future expense reserves. Further on-going site rationalizations are expected to add to these annual cost savings. In particular, the expected cost savings from the planned closure of the Pearl Group's Peterborough and Glasgow life company offices (and the consolidation of these operations into the Wythall site) has contributed £75 million to the Pearl Group's unaudited gross embedded value.

Strategy

The Pearl Group's overriding objective is to generate sustainable value for policyholders and shareholders by continuing to focus on key areas of importance to policyholders, namely long-term investment returns, financial security and service.

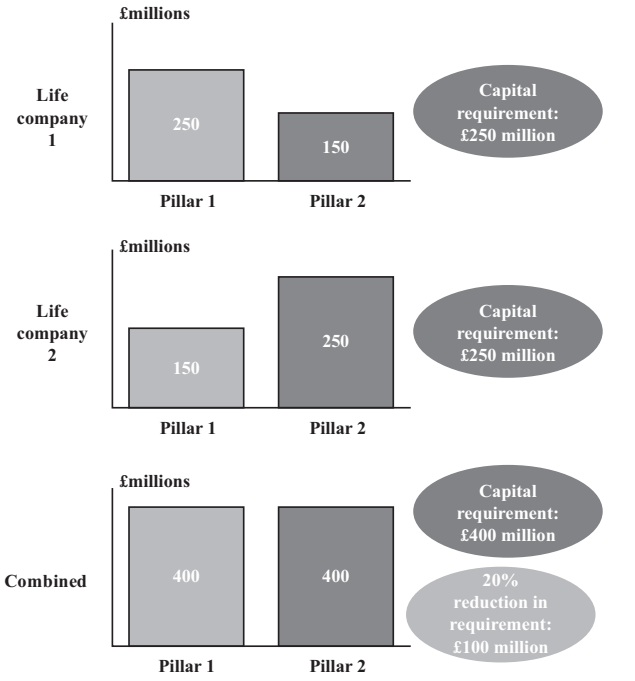
Continue to improve capital efficiencies and risk management to increase embedded value and accelerate expected cash flows

The injection of substantial new equity funds into the Pearl Group is expected to allow management to pursue identified value-creation initiatives to increase the Pearl Group's embedded value and release trapped or restricted capital to improve returns to shareholders. This will be driven by a number of prospective fund mergers to transfer blocks of business between life companies or to reduce the number of individual life companies within the Pearl Group, which its management expects will result in capital and tax efficiencies.

Through a number of other value-creation initiatives the Pearl Group is seeking to realize further substantial annualized pre-tax cost savings and to reduce fixed costs in line with the run-off of the group's closed life funds. These initiatives relate to staff reductions and site closures, including closing the Glasgow and Peterborough life company offices; renegotiation of outsourcing arrangements with, and potentially seeking to consolidate the number of, outsourced service providers; enhanced asset and liability management; and aligning core business and administrative processes across the Pearl Group, including for its finance departments. Many of these value creation initiatives are underway, and the Pearl Group's management believes that many can be completed by the end of 2010. The Pearl Group's management believes that its value-creation initiatives could potentially enhance the group's unaudited gross embedded value by up to £300 million and accelerate expected cash flows out of the Pearl Group life companies by up to £500 million.

The following chart shows how regulatory capital requirements may be reduced through a hypothetical fund merger:

Hypothetical Capital Requirements in a Fund Merger[(1)]



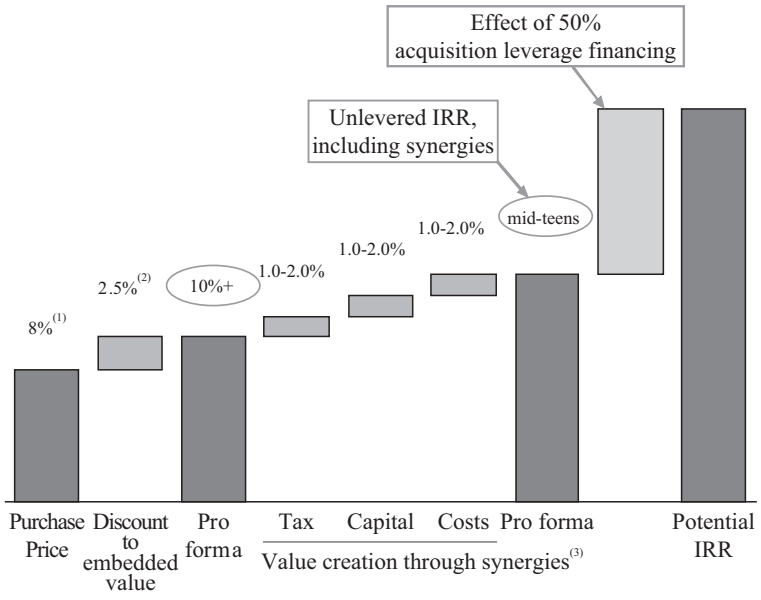
(1) Based on a hypothetical transaction. All figures are for illustrative purposes only.

Continue to acquire closed book portfolios and capture associated economies of scale

The Pearl Group believes that it has a well-positioned platform that can be leveraged to take advantage of the expected further consolidation of closed funds in the long-term life and pensions industry, bringing further capital and tax efficiencies as well as operational synergies. The Pearl Group's management believes that current market conditions should lead to additional U.K. life companies closing to new business and seeking to dispose of these companies to release capital committed to these companies. At the same time, the Pearl Group's management believes that the number of potential buyers is likely to remain or become more limited, with access to debt and equity funding and other issues facing potential buyers, such as increased regulatory scrutiny, limiting the ability of other closed fund consolidators and new entrants to make acquisitions. Of the potential buyers, the Pearl Group's management believes that few, if any, of them have the existing scale of operations needed to benefit from the synergies from acquiring additional closed life companies. The Pearl Group's management expects the combination of these factors will increase its ability to acquire closed funds at discounts to the vendors' embedded value. The Pearl Group's management intends to target acquisition candidates with £10 billion to £50 billion of assets under management and with embedded values of at least £500 million.

The following chart provides an overview of the illustrative sources of value creation through acquisitions:

Internal Rate of Return ("IRR") Build-up on a Hypothetical Acquisition



- Based on hypothetical forecast embedded value cashflows over 30 years
- In-force IRR benefits from
  - Discount to embedded value
  - Run-off profile
- Tax shield benefit of leverage further increases IRR beyond leverage effect
- Estimated potential further synergy benefits in the amount of £150 million to £200 million from a merger of the Pearl Group's existing asset management operations with a third-party's operations.

Source: Management estimates for hypothetical transaction based on precedent transactions. All figures are for illustrative purposes only.

(1) Assumes an 8% discount rate and a run-off profile of 15% per year on acquired embedded value.

(2) Assumes purchase price of 90% of embedded value.

(3) Management estimates.

Leverage asset management businesses to improve yields in order to generate incremental returns and to increase the level of third-party assets under management

The Pearl Group has asset and liability management teams of investment professionals in its Ignis and Axial asset management businesses. The Pearl Group's management believes that it can leverage these businesses' platform of investment tools to manage the assets and liabilities of its life companies more effectively and generate incremental returns. The management of the Pearl Group's asset management businesses also intend to use their hedging strategies to lock in long-term returns and reduce risk and asset volatility. Furthermore, Ignis has an established presence in the third-party asset management market, including through its joint ventures with investment managers.

Life Companies

Overview

The Pearl Group's eight main life companies are FSA-regulated entities that hold the group's policyholder assets. Over time, the Pearl Group has reduced the number of its individual life companies through fund mergers to improve and realize efficiencies. Most recently, with effect as of January 1, 2009, the businesses of Scottish Provident and Scottish Mutual Assurance were merged into Phoenix Life.

The following table sets forth information about the Pearl Group's main life companies as of January 1, 2009:

Life Company	Policyholder Liabilities			
	With-Profits	Unit-Linked	Other Non-Profit	Total
	(%)	(%)	(%)	(In millions)
London Life	48	15	37	£ 2,020
National Provident Life	56	22	22	7,237
NPI	0	68	32	3,821
Pearl Assurance	68	0	32	10,369
Phoenix Life	53	21	26	22,460
Phoenix Pensions	0	0	100	3,996
Phoenix and London Assurance	70	11	19	6,598
Scottish Mutual Assurance[1]	58	24	18	6,119
Scottish Provident[1]	68	14	18	5,375
SMI	0	98	2	181
Elimination of internal reassurance	0	21	79	(7,915)
Subtotal	59	18	23	60,261
Claims outstanding	—	—	—	£ 659
Total	59%	18%	23%	£60,920

(1) Transferred to Phoenix Life with effect as of January 1, 2009.

While the Pearl Group life companies are closed fund companies and do not write new business (other than increments to existing policies), they accept additional policyholder contributions on in-force policies and allow certain policies, such as pension savings plans, to be reinvested at maturity into annuities with a group life company. Pearl Group life companies offer annuities only to existing policyholders. Writing annuities offers the Pearl Group a further opportunity to increase its embedded value through incremental investment returns, while also helping to better manage the liquidity position of the individual life companies.

To seek to achieve further capital and tax efficiencies, the Pearl Group's management intends in due course to transfer blocks of business between its life companies to further reduce the number of life companies within the group. These transfer will be pursuant to Part VII transfers under the FSMA and will be subject to the approval of the FSA and the English High Court. For example, the Pearl Group's management is currently considering the possibility of transferring certain business from NPI and National Provident Life to Pearl Assurance.

Asset Mix of Life Companies

The Pearl Group's management believes that the group's asset portfolio is well diversified, as illustrated by the following table, which provides an overview of the exposure by asset category of the Pearl Group life companies' shareholder and policyholder funds as of December 31, 2008:

	Shareholder Funds[1]		Policyholder Funds[2]		
			Participating[3]	Unit-Linked	Total
	(In millions)	(%)	(In millions)	(In millions)	(In millions)
Debt securities—gilts	£ 2,860	24%	£12,106	£ 1,095	£16,061
Debt securities—bonds	4,301	36	15,713	714	20,728
Equity securities	252	2	6,738	6,993	13,983
Property investments	74	1	1,922	201	2,197
Other loans	24	—	25	0	49
Cash deposits	2,588	21	5,228	1,241	9,057
Other investments[4]	1,985	16	1,192	14	3,191
Total	£12,084	100%	£42,924	£10,258	£65,266

Source: The life companies' FSA returns and statutory accounts.

(1) Includes assets where shareholders of the life companies bear the investment risk.

(2) Includes assets where policyholders bear most of the investment risk

(3) Includes all assets held in with-profits funds

(4) Includes hedge funds, derivatives and private equity investments.

Reinsurance

Overview

The Pearl Group's life companies reinsure certain liabilities both to other companies in the group and to external reinsurers as part of their regular risk and capital management policies, as well as to benefit from operational synergies.

Internal Reinsurance

Within the Pearl life companies, Pearl Assurance acts as the reinsurer in respect of pensions annuity business as well as with-profits bond business and with-profits elements of unitized with-profits contracts. Following its demutualization in 2000, National Provident Life reinsured a significant portion of its unit-linked business, including new business, to NPI.

Within the Impala life companies, a majority of the pensions annuity business is reinsured to Phoenix Pensions. In addition, Phoenix and London Assurance has transferred various insurance risks to Phoenix Life, including permanent health insurance, term assurance and unitized with-profits business. The various life funds within Phoenix Life themselves also hold a significant amount of intra-fund reinsurance, mostly to achieve tax and operational synergies.

Opal Re

Pearl Assurance, London Life and NPI ceded the substantial majority of their then in-payment annuity business to Opal Re in 2007. Opal Re is a Bermudian reinsurance company that is currently outside the Pearl Group but connected to the group by virtue of some common shareholders. Opal Re reinsures risks only for the Pearl life companies and does not have any third-party clients. In connection with the proposed Acquisition, Opal Re will become a wholly owned subsidiary of Liberty. As of December 31, 2008, Pearl life companies had reinsured a total of approximately £3.5 billion of their annuity liabilities with Opal Re. For more information about Opal Re, see "Management's Discussion and Analysis of Financial Condition and Results of Operation of the Pearl Group — Opal Re."

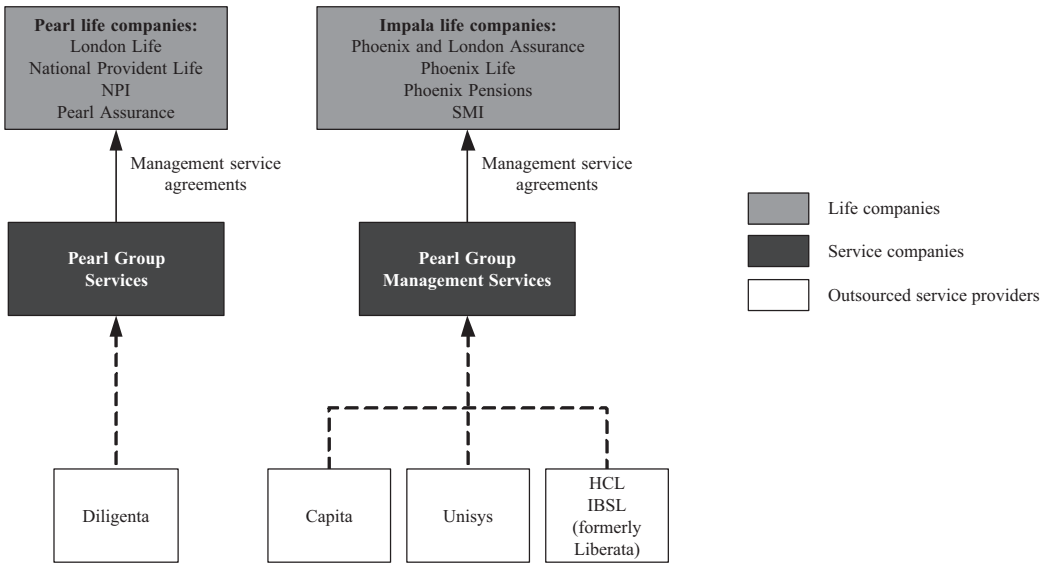
External Reinsurance

The Pearl Group's external reinsurance arrangements are spread across a number of reinsurers, including, among others, XL Re, AIG, Royal and Sun Alliance, Swiss Re, Unum, Munich Re and Hanover Re. These reinsurance arrangements cover a range of policy risks, including mortality and morbidity, long-term disability, critical illness, general insurance and some investment risk.

Service Companies

Overview

The following diagram provides an overview of the organizational structure of the Pearl Group's service companies and material third-party outsourced service providers:



Each of the Pearl Group life companies is responsible to its policyholders for the proper administration of its policy portfolio and the provision of policyholder services, such as collection of premiums, the provision of policyholder statements and other policyholder information, settlement of claims, the provision of policyholder support through call and service centers, the provision of website information and other related services. If each life company separately provided these services and related infrastructure, this would involve significant costs and create impediments for the life company in managing the efficient run-off of its policies. In addition to these cost challenges, each life company is required to hold sufficient capital for its operational risks.

To allow the Pearl Group life companies to benefit from economies of scale, efficient supplier and outsourcer partnerships and a combined technology infrastructure to cost effectively manage the run-off of policies, the Pearl Group's two service companies, Pearl Group Services and Pearl Group Management

Services, provide, or manage the provision of, policyholder services for all of the Pearl life companies and the Impala life companies, respectively, under master service agreements. Under these agreements, the service companies recover the costs of providing services to the life companies by charging a fixed price per policy, except in relation to certain unit-linked policies where the fee charged is a percentage of assets under management. The life companies, however, continue to retain ultimate responsibility to their policyholders.

Pearl Group Services and Pearl Group Management Services are similar in nature and provide similar services to each of the Pearl Group life companies they serve. To leverage scale, increase synergies and remove inefficiencies, these service companies are managed as a single unit. As of December 31, 2008, the two service companies together employed a staff of 1,015. In addition to providing finance, internal audit, tax, actuarial, risk, regulatory compliance, human resources, and change and project management services to the life companies, the service companies are also responsible for managing outsourced service providers and establishing all third-party supplier contracts. The Pearl Group's management believes that by consolidating policyholder services within the group's two service companies and enabling the Pearl Group life companies to share the costs of the provision of these services and other corporate overhead costs, both policyholders and shareholders benefit from efficiency savings, reductions in operational risks and the release of risk capital.

In the year ended December 31, 2008, Pearl Group Services and Pearl Group Management Services generated a combined profit before tax, exceptional items and goodwill amortization of £53 million.

Outsourcing Relationships

A key role for the Pearl Group service companies is the management of relationships with the Pearl Group's outsourced service providers on behalf of its life companies. These outsourced service providers include Capita, Diligenta (in which the Pearl Group owns a 24% interest), HCL IBSL (formerly known as Liberata) and Unisys.

As the Pearl Group's closed funds run off, fees generated from the management of policies generally reduce over time. Therefore, the Pearl Group is best served by closely aligning its costs with its policy run-off profile. Any costs that do not therefore decline in line with the Pearl Group's overall declining policy book create further operating pressures. The use of outsourced service providers enables the Pearl Group to shift its cost base from a largely fixed cost base to a variable per-policy basis. The Pearl Group's management estimates that the majority of its current cost base is variable and that this proportion will increase in the future. The group's outsourced service providers are also able to offer their services at a competitive price per policy due to their larger economies of scale.

The Pearl Group's outsourced service providers are specialist providers of life and pensions administration services, with the know-how, expertise and business models that put administration at the core of their service offerings. The outsourced service providers' services include policy administration, human resources, administration, accounts payable, information technology and (for Pearl Group Services only) facilities management services.

The Pearl Group is considering how to further leverage and expand the outsourcing of its non-core activities. Recently, Pearl Group Management Services outsourced some of the financial administration functions that had been performed in-house (e.g., payroll and accounts payable) to Diligenta to make the Pearl Group Management Services' outsourcing model more consistent with Pearl Group Services' model and, more importantly, to benefit from both the technology platforms and preferential pricing already in place for Pearl Group Services.

The Pearl Group's management believes that the number of outsourced service providers could be further rationalized over time, offering additional cost savings through the negotiation of improved terms with chosen providers. However, any early termination of existing outsourcing agreements by the Pearl Group is likely to result in termination payments to the relevant outsourced service provider, which would initially offset the expected benefits of any new outsourcing arrangements. The initial contract expiration dates for the outsourcing agreements covering the majority of the Pearl Group's policyholders is between 2018 and 2019.

Asset Management

The following table provides an overview of Ignis's and Axial's assets under management, revenues, operating profit and number of employees as of and for the year ended December 31, 2008:

	As of December 31, 2008		For the Year Ended December 31, 2008	
	Assets Under Management	Employees[1]	Revenue	Operating Profit[2]
	(In billions)		(In millions)	(In millions)
Ignis	£47.5	418[3]	£87[4]	£40
Pearl Group life companies[5]	41.7	—	50	—
Third parties	5.8[6]	—	34	—
Axial	23.4[7]	96	29	4
Total	£70.9	514	£116	£44

(1) Full-time employees.

(2) Defined as profit before tax, exceptional items and goodwill amortization.

(3) Subsequently reduced by 26 employees in 2009.

(4) Includes £3 million of net interest.

(5) Includes primarily assets of the former Resolution life companies.

(6) Includes £1.2 billion of PGL Staff Pension Scheme assets and £1.5 billion of Royal London assets subsequently transferred.

(7) Includes £1.4 billion of Pearl Group Pension Scheme assets.

Ignis

Ignis manages assets on behalf of the Impala life companies as well as a third-party client base of over 100,000 U.K. and foreign retail and institutional investors, including corporate pension schemes, life companies and charities.

Ignis' key focus for the Impala life companies and third-party institutional clients is the delivery of additional returns and value through the provision of services such as asset allocation and liability-driven investment solutions. Ignis' in-house investment management teams offer a range of asset management investment options and areas of expertise, covering equities (United Kingdom, Europe, North America, emerging markets, global and Far East), fixed income (U.K. and international corporate and government debt securities), property and cash. In addition, Ignis offers investment options to third-party clients where the level of assets to be managed for group life companies is sufficient to allow Ignis to build the necessary capability in a cost-efficient manner.

Ignis has established four joint ventures with investment managers to provide Ignis's clients with an additional range of investment options and access to additional highly skilled, specialist fund management teams. As of June 30, 2009, these joint ventures were Argonaut, Cartesian, HEXAM and Maia. Each joint venture's investment managers own a 50% interest in the relevant joint venture (with the exception of Maia where the investment managers currently own 100% of Maia LLP and offer their services on a consulting basis). Ignis owns the remaining 50% interest and manages marketing and distribution, access to research and compliance and administrative infrastructure functions on behalf of each of the joint ventures. This framework provides the joint ventures with access to the Ignis platform and the related economies of scale, while allowing the investment managers to focus on maximizing investment performance.

Ignis' liability-driven investment platform represents part of its strategy of providing tailor-made solutions for larger pension schemes. This platform assesses how the assets of a pension scheme should be invested taking into account the liabilities that must be met over time and issues such as salary progression, benefit dates, tax-free cash elections and longevity rates.

Headquartered in Glasgow, with additional offices in London, Ignis is operationally self sufficient from the other members of the Pearl Group. Ignis also has its own sales and marketing division with more than

75 employees who focus on developing relationships with independent financial advisers and global investment consultants in order to access new clients and further build Ignis's third-party asset base.

Axial

Axial was founded in 2005 to provide the Pearl life companies with asset and liability management services and to oversee the external management of the life companies' assets. Axial has subsequently developed its own expertise for managing certain asset classes directly, in particular fixed-income assets. Given the recent instability in financial markets, Axial plays a significant role in helping the Pearl life companies protect their capital levels from volatility by enabling them to understand the impact that different asset-allocation decisions have on their risk and capital needs and by advising on and executing hedging strategies.

Axial currently provides services to the Pearl life companies, Opal Re and the Pearl Group Pension Scheme. Axial provides direct investment management services for £12.3 billion of these assets. Henderson Global Investors, an unaffiliated third party, manages the remaining £11.1 billion under Axial's oversight pursuant to the investment management agreement entered into at the time of the Pearl Group's acquisition of the former HHG PLC closed life companies in 2005.

Axial is headquartered in London and is also operationally self-sufficient from other members of the Pearl Group.

Governance and Risk Management

Governance

The Pearl Group's existing governance model reflects the need to oversee the activities of all of the Pearl Group companies. The Pearl board is the overall governing body for the Pearl Group, with responsibility for the oversight of each of the Pearl Group companies. Each Pearl Group company has its own board to meet its statutory and regulatory requirements and is in regular contact with its regulatory supervisory authorities (where applicable). In addition, the Pearl Group's regulated entities are required to comply with certain regulatory rules and governance standards, which are overseen through the applicable regulatory supervision framework.

While the Pearl board retains ultimate responsibility for the Pearl Group's compliance with statutory and regulatory obligations, the board delegates authority for certain matters to board committees and other governing bodies and committees in the Pearl Group, including:

- Pearl board audit committee, which is responsible for the effectiveness of internal control, risk management and oversight of the Pearl Group's financial reporting;
- Pearl board remuneration committee, which is responsible for determining the Pearl Group's policy on the compensation of senior executives and specific remuneration packages for each of the executive directors including any pension rights, compensation payments and implementation of share schemes;
- individual Pearl Group life company boards, which are responsible for the governance and management of their relevant life companies;
- the with-profits committees, which are responsible for significant matters affecting with-profits policy-holders' interests, including matters such as the Principles and Practices of Financial Management;
- the investment committees, which are responsible for setting investment strategy within the parameters established by the individual life company boards, monitoring investment managers and overall investment performance;
- the asset management boards, which are responsible for the governance and management of Ignis and Axial; and
- the life and asset management audit committees, which fulfill internal controls, risk management and financial reporting responsibilities for the Pearl Group life and asset management companies. These committees report to both the boards of their respective companies as well as the Pearl board audit committee.

The Pearl Group has an ongoing transition program to integrate the management structure of Pearl and its subsidiaries with the management structure of Impala and its subsidiaries in order to reduce duplication and create a common approach to governance across the Pearl Group's life and service companies. To date, this involved the creation and implementation of:

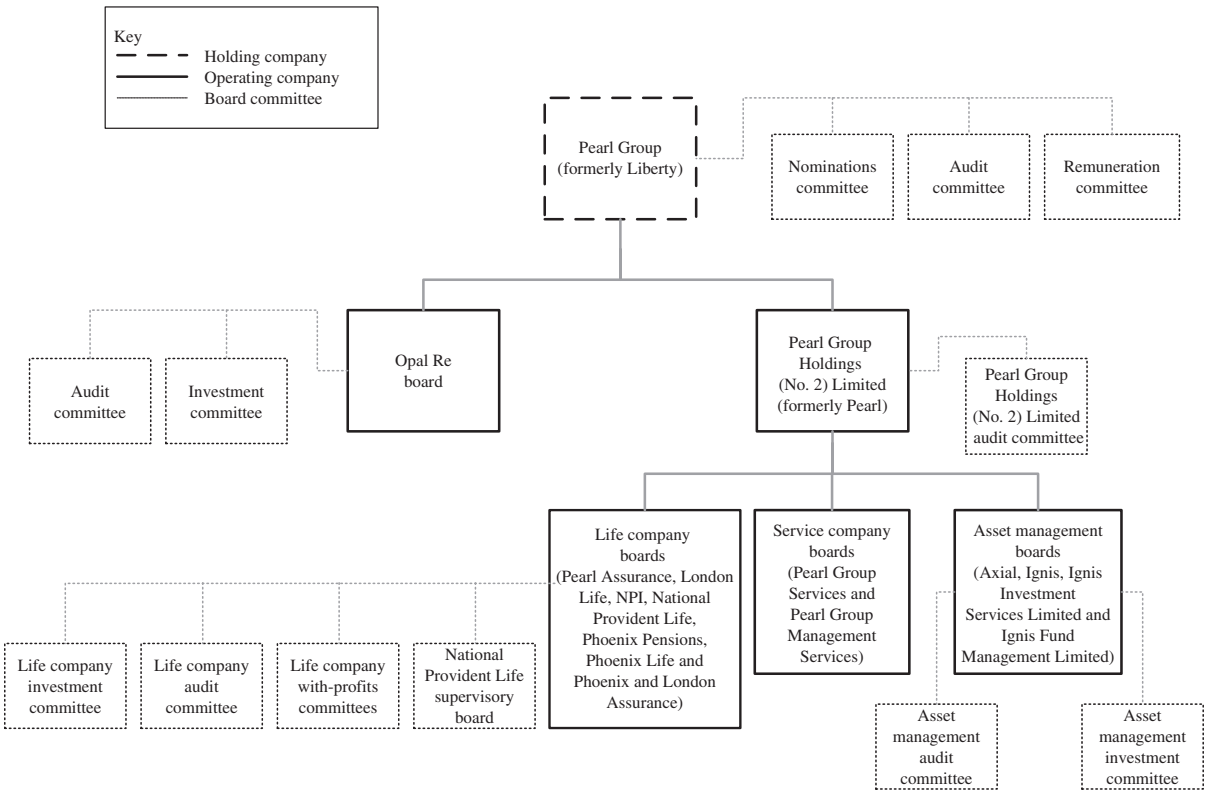
- a combined executive committee;
- management oversight committees, namely, the treating customers fairly oversight committee, the finance, risk and capital oversight committee, the operational risk and compliance oversight committee and the project decisions and prioritization committee. These committees were implemented in October 2008;
- merged risk, compliance and internal audit functions; and
- a consolidated company secretarial function.

This transition program is expected to be completed by the end of August 2009. Further measures in the transition program include:

- the creation of a single life company board structure with common directors and board committees spanning the Pearl and Impala regulated life companies;
- the creation of revised committee terms of reference for the investment, with-profits and audit committees covering the Pearl Group life companies; and
- the harmonization of the governance arrangements for Axial and Ignis, with the creation of a common board structure for these companies that, in turn, will report to the Pearl board.

Governance Following the Acquisition

The following diagram provides an overview of the Pearl Group's proposed governance structure following the completion of the transition program:



Following the consummation of the Acquisition, since Pearl Group (as Liberty will then be known) will become the new parent company of Pearl Group Holdings (No. 2) Limited (as Pearl will then be known), many of the oversight functions currently exercised by Pearl will, following consummation, be exercised by Pearl Group instead. For instance, the Pearl board audit and remuneration committees will be superseded by audit and remuneration committees at the Pearl Group level.

Risk and Control Framework

Risk Management

The Pearl Group's risk framework requires that all group companies establish processes for identifying, evaluating and managing the key risks faced by them. The framework is based upon the "three lines of defense" concept: risk management, risk oversight and independent assurance. The Pearl Group's life and service companies and asset management businesses establish processes to support this framework with the objective of managing risks through:

- identification of the financial, operational, regulatory or reputational risks of their relevant business;
- identification of the key controls to manage these risks;
- active monitoring and reporting that these controls are being operated;
- rapid identification of control issues that come to light and escalation as appropriate; and
- active monitoring and reporting of progress in resolving issues, including the prioritization of resources.

The Pearl board is ultimately responsible for overall strategy, performance and risk management for the Pearl Group, including the system of internal control and risk management, for the overall risk framework and for setting and monitoring the Pearl Group's risk appetite.

Risk Oversight

The Pearl Group monitors and reviews risk exposures through group level and business level risk committees. Separate risk committees consider financial and non-financial risk within the life and service businesses and the asset management businesses.

Independent Assurance

The Pearl board audit committee, supported by the group internal audit and business unit audit functions, provides independent assurance of the effectiveness of the Pearl Group's system of internal control and risk management. Axial and Ignis have their own audit teams and audit committees, which report to the Pearl board audit committee, rather than through the group audit function.

Regulation

Overview

The Pearl Group's operations are subject to extensive government regulation, including the FSMA and other U.K. laws, including, for example, the Data Protection Act 1998 in relation to the processing of customer data. Some of these laws require the relevant Pearl Group entity to be licensed or registered. Below is an overview of the regulatory framework for the insurance and asset management industries in the United Kingdom. The Pearl Group has operations that are subject to regulation under the laws of other jurisdictions, including Guernsey, Ireland, Isle of Man, Jersey and Luxembourg. In addition, Opal Re is subject to regulation under the laws of Bermuda. Opal Re acts as a reinsurer for certain of the Pearl Group life companies. Upon consummation of the proposed Acquisition, Opal Re will become a wholly-owned subsidiary of Pearl Group.

The Financial Services and Markets Act 2000

The Pearl Group's insurance and investment businesses in the United Kingdom are regulated by the FSA, the statutory regulator granted powers under the FSMA.

Risk-Based Regulation

The FSA employs a risk-based regulatory approach to supervision under the FSMA pursuant to which each regulated firm's risk is assessed using a risk assessment methodology known as ARROW. This is a high-level review aimed at assessing the significance of a particular risk posing a threat to the FSA's statutory objectives under the FSMA. These objectives relate to market confidence, public awareness, consumer protection and the reduction of financial crime.

The ARROW framework, supported by a "close and continuous" relationship, is the core of the FSA's risk-based approach to regulation. Using this process, the FSA will consider the particular risks a firm might pose to its statutory objectives by assessing the impact and probability of particular risks materializing.

Failure to meet the FSA's expectations in relation to risks presented to its statutory objectives may lead to negative consequences, including the requirement to maintain a higher level of Pillar 2 capital to match the higher perceived risks, and enforcement action where the risks identified breach the FSA's high-level or more prescriptive rules.

Overview of the FSMA Regulatory Regime

Single Regulator. The FSA is the single regulator for all authorized persons with respect to regulated activities in the financial services sector. In this regard, the FSA is authorized to make rules and issue

guidance in relation to a wide sphere of activities encompassing the governance of a firm, the way it conducts its business and the prudential supervision of firms.

Permission to Carry on "Regulated Activities." Under the FSMA, no person may carry on or purport to carry on a regulated activity by way of business in the United Kingdom unless he is an authorized person or is an exempt person. A firm which is authorized by the FSA to carry on regulated activities becomes an authorized person for the purposes of the FSMA. "Regulated activities" are currently prescribed in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) and include insurance and investment business, as well as certain other activities such as establishing, operating and winding up stakeholder pension schemes, the mediation of general insurance and certain mortgage mediation and lending activities.

Authorization Procedure. In granting an application for authorization by a firm, the FSA may delineate the scope of, and include such restrictions on, the grant of permission as it deems appropriate. In granting or varying the terms of a firm's permissions, the FSA must ensure that the firm meets certain threshold conditions, which, among other things, require the firm to have adequate resources for the carrying on of its business, and to be a fit and proper person, having regard to all the circumstances.

Once authorized, and in addition to continuing to meet the threshold conditions to authorization, firms are obliged to comply with the FSA Principles for Businesses, which are high-level principles for conducting financial services business in the United Kingdom. These include the maintenance of adequate systems and controls, treating customers fairly and communicating with customers in a manner that is clear, fair and not misleading.

In addition, the FSA's rulebook contains more detailed rules covering, among other things, systems and controls, conduct of business and prudential (i.e., capital) requirements.

Moreover, the FSMA obliges firms to secure the FSA's prior approval of the appointment of individuals performing certain important functions within a firm or on its behalf with respect to the carrying on of regulated activities (approved persons).

Principles for Businesses. A key feature of the FSA regime is the existence of 11 "Principles for Businesses," with which all firms are expected to comply. These cover key areas such as firms' relationship with the FSA, the need to act with integrity and treat customers fairly.

The FSA has expressed the intention to move away from a detailed rules-based regime in favor of a more principles-based approach to regulation, much of which would be directed by the Principles for Businesses mentioned above. While firms may welcome this, they are also likely to face greater uncertainty as what would be deemed to be "compliant" under such a regime and this is a concern in the industry. Notwithstanding the move to principles-based regulation, the FSA's rulebook still contains a large number of detailed rules applicable to authorized persons.

Application of the FSMA Regulatory Regime to the Pearl Group

Each of the Pearl Group's principal U.K. insurance and investment businesses is subject to regulation and supervision by the FSA in the carrying on of the Pearl Group's regulated activities. The discussion below considers, in turn, the main features of the FSMA regime applicable to the Pearl Group's insurance and asset management businesses in the United Kingdom. Subsequently, the discussion below considers in more detail the regulatory regime in the United Kingdom for insurance businesses.

Regulation Applicable to the Pearl Group's Insurance and Asset Management Businesses

Supervision of Management and Change of Control of Authorized Firms. The FSA closely supervises the management of authorized firms through the approved persons regime, under which any appointment of persons who hold positions of, among other things, significant influence within an authorized firm must be pre-approved by the FSA.

The FSA also regulates the acquisition and increase of control over authorized firms. Under the FSMA, any person proposing to acquire control of or increase control over an authorized firm must first obtain the consent of the FSA. In considering whether to grant or withhold its approval to the acquisition of control, the FSA must be satisfied both that the acquirer is a fit and proper person and that the interests of consumers would not be threatened by his acquisition of or increase in control.

"Control" for these purposes includes, among other things, a shareholding of 10% or more in an authorized firm or its parent undertaking. In order to determine whether a person or a group of persons is a "controller" for the purposes of the FSMA, the holdings (shares or voting rights) of the person and other persons acting in concert with such persons, if any, are aggregated. A person will be treated as increasing his control over an authorized firm, and therefore requiring further approval from the FSA, if the level of his shareholding in the authorized firm or, as the case may be, its parent undertaking, increases by any threshold step. The threshold steps occur at 20%, 30% and 50%.

Intervention and Enforcement. The FSA has extensive powers to investigate and intervene in the affairs of an authorized firm. The FSMA imposes on the FSA statutory obligations to monitor compliance with the requirements imposed by, and to enforce the provisions of, the FSMA, related secondary legislation and the rules made thereunder.

The FSA's enforcement powers, which may be exercised against both authorized firms and approved persons, include public censure, imposition of unlimited fines and, in serious cases, the variation or revocation of permission to carry on regulated activities or of an approved person's approved status. In addition, the FSA may vary or revoke an authorized firm's permission if it is desirable to protect the interests of consumers or potential consumers, or if the firm has not engaged in regulated activity for 12 months, or if it is failing to meet the threshold conditions for authorization. The FSA has further powers to obtain injunctions against authorized persons and to impose or seek restitution orders where persons have suffered loss. Once the FSA has made a decision to take enforcement action against an authorized or approved person (other than in the case of an application to the court for an injunction or restitution order), the person affected may refer the matter to the Financial Services and Markets Tribunal. Breaches of certain FSA rules by an authorized firm may also give a private person who suffers loss as a result of the breach a right of action against the authorized firm for damages.

In addition to its ability to apply sanctions for market abuse, the FSA has the power to prosecute criminal offences arising under the FSMA, insider dealing under Part V of the Criminal Justice Act 1993 and breaches of money laundering regulations. The FSA has indicated that it is prepared to prosecute more cases in the criminal courts where appropriate.

The FSA, although not a creditor, may seek administration orders under the Insolvency Act 1986 (as amended), present a petition for the winding-up of an authorized firm or have standing to be heard in the voluntary winding-up of an authorized firm. It should be noted that insurers carrying on long-term insurance business cannot voluntarily be wound up without the consent of the FSA.

FSA's Conduct of Business Rules. The FSA's Conduct of Business Rules apply to every authorized firm carrying on regulated activities and regulate the day-to-day conduct of business standards to be observed by authorized persons in carrying on regulated activities.

The FSA updated its Conduct of Business Rules on November 1, 2007 in response to the adoption in the European Union of the Markets in Financial Instruments Directive **("MiFID")**. The new Conduct of Business Rules incorporate the requirements of MiFID which relate to investment business.

The scope and range of obligations imposed on an authorized firm under the Conduct of Business Rules vary according to the scope of its business and the range of its clients. Generally speaking, however, the obligations imposed on an authorized firm by the Conduct of Business Rules will include the need to classify its clients according to their level of sophistication, provide them with information about the firm, meet certain standards of product disclosure, ensure that promotional material which it produces is clear, fair and not misleading, assess suitability when advising on certain products, manage conflicts of interest, report appropriately to its clients and provide certain protections in relation to client assets.

The FSA's Supervision Manual contains specific requirements at Appendix 2.15 for insurers that have ceased to take on new business and are in run-off. Equally some of the FSA's Conduct of Business Rules, for example in relation to the sale of new policies, have no relevance to such companies.

Treating Customers Fairly. TCF is an important example of the FSA's principles-based approach to regulation. This initiative is based upon Principle 6 of the FSA's Principles for Businesses (that a firm must pay due regard to the interests of its customers and treat them fairly). The FSA has defined six outcomes it is seeking from this initiative. These are that:

- consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture;
- products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly;
- consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale;
- where consumers receive advice, the advice is suitable and takes account of their circumstances;
- consumers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and as they have been led to expect; and
- consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Although the FSA has, with the exception of rules relating to with-profits policyholders, refrained from making detailed rules on how to comply with TCF, it has published a number of case studies providing an indication of its expectations of authorized firms in the areas of product development, complaint handling, financial promotions and systems and controls. In addition, the FSA set two new deadlines for firms — authorized firms were expected by March 31, 2008 to have appropriate management information or measures in place to test whether or not they were treating their customers fairly; and by December 31, 2008 firms must have demonstrated they were consistently treating customers fairly.

Prudential Supervision. As set out above, in order to maintain authorized status under the FSMA, a firm must continue to satisfy the threshold conditions, which, among other things, require the firm to have adequate resources for the carrying on of its business. The FSA has published detailed rules relating to the maintenance of minimum levels of regulatory capital for insurance and investment businesses in the Prudential Standards section of its Handbook.

The FSA's regulatory capital rules for insurers and investment firms are primarily contained in the FSA's General Prudential Sourcebook, Prudential Sourcebook for Banks, Building Societies and Investment Firms and Prudential Sourcebook for Insurers. Although it has been the intention in recent years of the FSA to move towards a unified prudential regime for firms which it authorizes, the FSA has been obliged to revise this approach and its rules to accommodate developments at an international level, including E.U. legislation relating to the regulatory capital requirements for investment firms and financial groups.

The Financial Ombudsman Service. Authorized firms must have appropriate complaints handling procedures. However, once these procedures have been exhausted, qualifying complainants may turn to the Financial Ombudsman Service which is intended to provide speedy, informal and cost effective dispute resolution of complaints made against authorized firms by individuals and small-business customers. The Ombudsman is empowered to order firms to pay fair compensation for loss and damage and may order a firm to take such steps as it determines to be just and appropriate to remedy a complaint.

The Financial Services Compensation Scheme. The Financial Services Compensation Scheme **("FSCS")** is intended to compensate individuals and small businesses for claims against an authorized firm where the authorized firm is unable or unlikely to be able to meet those claims (generally, when it is insolvent or has gone out of business). The scheme is divided into three sub-schemes of banking, insurance and investment business, reflecting the different kinds of business undertaken by authorized firms. The scheme is funded by

contributions from industry participants referable to the particular sub-schemes so as to minimize cross-subsidy between authorized persons whose businesses are not similar. In the event of a failure of a market participant, the Pearl Group could be required to make contributions to compensate investors. In November 2007, the FSA confirmed its intention to introduce a new model of funding, under which the first tranche of compensation costs emerging from a particular group of firms is borne by that group alone, while costs above a specified threshold are shared out more widely. The new FSCS funding model came into force on April 1, 2008.

Additional Regulation of Insurance Business

Effecting and carrying out contracts of insurance as principal are regulated activities for the purposes of the FSMA, and the carrying on of such regulated activities is referred to as insurance business. Some of the Pearl Group's subsidiaries carry on insurance business in the United Kingdom with the permission of the FSA and are regulated by the FSA under the FSMA.

Conduct of Business Requirements for Insurance Business. The Conduct of Business rules issued by the FSA apply differing requirements to the sale of (i) general and (ii) long-term insurance contracts. Within (ii), more stringent requirements apply where the contract has an investment value or otherwise gives rise to mis-selling problems. Authorized firms which advise and sell to private customers packaged products (such as life insurance policies) are subject to detailed conduct of business obligations relating to product disclosure, assessment of suitability, the range and scope of the advice which the firm provides, and fee and remuneration arrangements.

In general, the Conduct of Business Rules govern the sale of new policies and do not concern an insurer in run-off. They include, however, certain rules relating to:

- information to be provided to existing policyholders;
- cancellation rights;
- the handling of claims;
- treating with-profits policyholders fairly; and
- pensions transfers and the open market option,

which may apply regardless of whether or not the insurer is actively selling its products.

Capital Rules for Insurers. The FSA's rules which govern the prudential regulation of insurers are found in the Prudential Sourcebook for Insurers, the General Prudential Sourcebook and the Interim Prudential Sourcebook for Insurers. Overall, the requirements of the General Prudential Sourcebook are intended to align the capital adequacy requirements for insurance businesses more closely with those of banking and investment firms and building societies, for example, by addressing tiers of capital, rather than looking at net admissible assets.

The FSA's rules now require an insurer to prepare and submit to the FSA its own assessment of its capital requirements, known as an individual capital assessment **("ICA"),** based on the risks it faces. The FSA will use the ICA in order to form its own view (at Pillar 2) of a firm's capital requirements and if it disagrees with the ICA it will issue individual capital guidance which it can impose as a requirement over and above Pillar 1 requirements.

The Pillar 1 rules also require that insurance companies maintain assets sufficient to meet the relevant capital requirement at all times in respect of both any long-term insurance and general insurance undertaken by the insurance company, the calculation of which requirement in any particular case being dependent on the type and amount of insurance business a company writes. The method of calculation of the Pillar 1 capital requirement is set out in the General Prudential Sourcebook and the level of an insurer's capital resources is also determined in accordance with the rules set out in that Sourcebook. Failure to maintain the Pillar 1 required capital resources requirement (or any additional requirements imposed at Pillar 2) is one of the grounds on which wide powers of intervention conferred upon the FSA may be exercised.

Under the Pillar 1 rules in the General Prudential Sourcebook, an insurer must hold capital resources equal at least to the Minimum Capital Requirement (the **"MCR"**). Insurers with with-profits liabilities of more than £500 million ("realistic basis firms") must hold capital equal to the higher of MCR and the Enhanced Capital Requirement (the **"ECR"**). The ECR is intended to provide a more risk responsive and "realistic" measure of a with-profits insurer's capital requirements, whereas the MCR is broadly speaking equivalent to the previous required minimum margin under the Interim Prudential Sourcebook for Insurers and satisfies the minimum E.U. standards.

Determination of the ECR for realistic basis firms involves the comparison of two separate measurements of the firm's financial resources requirements, which the FSA refers to as the "twin peaks" approach. The term twin peaks is meant to reflect the fact that capital is determined by reference to the higher of the two bases for calculating liabilities (regulatory or realistic). The regulatory basis reflects strict contractual liabilities whereas the realistic one includes more discretionary but expected benefits, including those required to treat customers fairly.

Long-term business assets and liabilities — those assets and liabilities relating to, broadly, life and health insurance policies — must be segregated from the assets and liabilities attributable to non-life insurance business or to shareholders. Separate accounting and other records must be maintained and a separate fund must be established to hold all receipts of long-term business.

The extent to which long-term fund assets may be used for purposes other than long-term business is restricted by the rules in the Prudential Sourcebook for Insurers. Only the "established surplus" — the excess of assets over liabilities in the long-term fund, as determined by an actuarial investigation — may be transferred so as to be available for other purposes. Restrictions also apply to the payment of dividends by the insurance company, as described below. The rules in the Prudential Sourcebook for Insurers require, in addition to the capital requirements referred to below, the maintenance of sufficient assets in the separate long-term insurance fund to cover the actuarially determined value of the insurance liabilities. See also "— Insurance Groups Directive" below.

The FSA is already requiring insurance companies to make preparations for the new E.U. Solvency Framework (see below).

Actuarial Functions. The rules in the FSA's Supervision Manual require that every insurance company that carries on long-term business must appoint one or more actuaries to perform the "actuarial function" in respect of all classes of its long-term insurance business and, if it has any with-profits business, the "with-profits actuary function" in respect of all classes of that with-profits business.

The actuary performing the "actuarial function" must prepare an annual report for the company's directors quantifying the company's long-term liabilities attributable to the insurance company's long-term insurance business, determining the value of any excess over those liabilities of the assets representing the long-term insurance fund and where any rights of long-term policyholders to participate in profits relate to particular parts of such a fund, a valuation of any excess of assets over liabilities in respect of each of those parts.

The actuary performing the "with-profits actuary function" must advise the firm's management, at the level of seniority that is reasonably appropriate, on key aspects of the discretion to be exercised affecting those classes of the with-profits business of the firm in respect of which he has been appointed. He must also, at least once a year report to the firm's governing body on key aspects (including those aspects of the firm's application of its Principles and Practices of Financial Management **("PPFM")** on which the advice described has been given) of the discretion exercised in respect of the period covered by his report affecting those classes of with-profits business of the firm.

Distribution of Profits and With-Profits Business. The Interim Prudential Sourcebook for Insurers provides that, once an allocation of surplus in a with-profits fund has been made to policyholders, no transfer of assets representing any part of a subsequent surplus can be made, to shareholders or otherwise, unless either the "relevant minimum" (as defined in the Interim Prudential Sourcebook for Insurers) of the surplus has been allocated to policyholders or a statutory notification procedure has been followed. Calculation of the relevant minimum is based upon the percentage of the relevant surplus previously allocated to eligible policyholders.

There has been considerable public debate regarding the rights and legitimate expectations of with-profits policyholders to assets forming part of an insurance company's surplus, particularly where such assets do not derive from the payment of current policyholders' premiums but are rather "inherited" from previous generations of policyholders or from other entities. In December 2007, the FSA published guidance on the reattribution of a firm's inherited estate. In February 2009, an FSA consultation paper proposed that proprietary (as opposed to mutual) firms should no longer be able to charge mis-selling costs to the inherited estate where those costs are incurred after July 2009. Further proposals for reforms to the with-profits regime may follow.

The FSA has also mandated that firms carrying on with-profits business must:

- define and make publicly available the PPFM applied in their management of with-profits funds;
- ensure their governance arrangements offer assurance that they have managed their funds in line with the PPFM they have established and published;
- produce annual reports for with-profits policyholders on how they have complied with this obligation, including how they have addressed any competing or conflicting rights, interests or expectations of policyholders and, if applicable, shareholders;
- comply with (i) modified regulatory reporting requirements designed to achieve the FSA's objective of making directors and senior management more explicitly responsible for setting up technical provisions and other decisions taken on actuarial advice and (ii) new audit requirements for liabilities; and
- comply with consequential changes to certification in the insurance returns.

Since April 1, 2004, firms carrying on with-profits business have been required to produce PPFM and to make them publicly available. From the same date, firms have also been required to have in place the relevant governance arrangements and reporting procedures to with-profits policyholders.

Treating Customers Fairly and With-Profits Business. One of the areas of focus of the FSA's TCF initiative has been with-profits business. The FSA has issued specific rules on this area in relation to with-profits policyholders, which address, among other things, the costs charged to a with-profits fund by the firm managing the fund; penalties and charges levied on policyholders who surrender their policies early, the need for funds to be managed with the objective of ensuring that maturity payouts fall within a target range set for the fund; and the provision of information to with-profits policyholders or potential policyholders in a format that they can more readily understand — through the introduction of "Consumer Friendly Principles and Practices of Financial Management."

In addition, life insurers writing with-profits business must provide information to with-profits policyholders within 28 working days of a decision to close a fund to new business or of the appointment of a policyholder advocate to protect the interest of policyholders should a firm decide to make a reattribution of its inherited estate.

Reporting Requirements. The main financial reporting rules for insurers are contained in the Interim Prudential Sourcebook for Insurers. Insurance companies must file a number of items with the FSA, including their audited annual accounts and balance sheets and life insurers annual reports from the actuary performing the actuarial function.

Transfer of Insurance Business. Any transfer of U.K. insurance business must be effected in accordance with Part VII of the FSMA, which requires a scheme of transfer to be prepared and approved by the High Court of Justice of England and Wales. As a practical necessity, FSA approval is also required in addition to an order by the court approving the transfer, and a report of an independent expert is required on whether the proposed transfer would be prejudicial to policyholders. A Part VII scheme of transfer enables direct insurers and reinsurers to transfer all or part of their books of business to another approved insurer by operation of law without the need for individual policyholder consents, although policyholders have the right to object to the proposed scheme at the court hearing. A scheme of transfer may also allow for the transfer of assets and other contracts related to the business so as to give proper effect to the transfer. A transfer of insurance business

means a transfer of insurance policies and should be distinguished from the change of control of a business effected by a transfer of shares in an insurance company, such as the proposed Acquisition.

Insurance Groups Directive. A group of companies whose activities are primarily concentrated in the insurance sector in a member state of the European Economic Area (the "**EEA**") is subject to the capital adequacy requirements of the IGD. This directive sets forth the requirement for a group capital adequacy calculation, also known as a group solvency calculation, a parent undertaking solvency margin calculation or an IGD solvency surplus. The IGD requires that EEA-regulated insurance entities, in certain circumstances, prepare and submit to their relevant EEA-regulatory supervisor a group capital adequacy calculation. This calculation is intended to enable an insurer's regulatory supervisor to assess both the level of insurance and financial risk within the insurance group and the resources available to cover this risk. Where insufficient group resources are available, the supervisor may consider the risk to the insurers that it regulates.

Under the FSA's rules implementing the IGD, each FSA-regulated insurance entity is required to assess whether any group solvency calculations are required at two levels, one at the level of the ultimate worldwide insurance parent undertaking or insurance conglomerate and, if different, the highest EEA-regulated insurance parent undertaking or insurance conglomerate.

As Liberty is a non-EEA company, the Pearl Group's FSA-authorized firms will be required to submit two group capital adequacy calculations to the FSA following the completion of the proposed Acquisition:

- one for the highest insurance parent undertaking located outside the EEA, that is, for the Liberty and its subsidiaries; and

- one for the highest insurance parent undertaking located within the EEA, that is, for NewCo and its subsidiaries.

However, the group solvency calculation for a non-EEA insurance parent undertaking is currently a "soft test" only. In other words, the group solvency calculation must be submitted to the FSA, but the group solvency position need not exceed zero. In other words, it is permissible for the group capital resources to be lower than the group capital adequacy requirements. See also "— Capital Rules for Insurers" above.

New E.U. Solvency Framework. The E.U. Commission is continuing to develop a new prudential framework for insurance companies, "the Solvency II project." This project will update, among other things, the existing life, non-life, re-insurance and insurance groups directives. The main aims of this framework are to ensure the financial stability of the insurance industry and protect policyholders through establishing prudential requirements better matched to the true risks of the business. Like Basel 2, the new approach is expected to be based on the concept of three pillars: minimum capital requirements, supervisory review of firms' assessments of risk and enhanced disclosure requirements. However, the scope of the Solvency II project is wider than Basel 2, in that it will cover valuations, the treatment of insurance groups, the definition of capital and the overall level of capital requirements.

A key aspect of the Solvency II project is the focus on a supervisory review at the level of the individual legal entity. Insurers will be encouraged to improve their risk management processes and will be allowed, subject to regulatory approval, to make use of internal models to calculate capital charges for the main risks to which they are exposed.

In the meantime, the FSA published a discussion paper in September 2008 and a feedback statement setting out its expectations as to how firms should prepare for the transition to the new regime.

The Pearl Group has fully embraced the requirements of the Solvency II project and has participated in various preparatory studies. The Pearl Group has a well-formed project dealing with the implementation of the new regime.

Regulation of Investment Business

Certain of the Pearl Group's subsidiaries, including Ignis and Axial, are authorized by the FSA to carry on investment business. These entities are subject to regulation and supervision by the FSA and must comply with the FSA conduct of business and prudential rules made under the FSMA.

Conduct of Business Requirements for Investment Businesses and the Markets in Financial Instruments Directive

MiFID, unlike its predecessor legislation, the Investment Services Directive, sets out detailed and specific requirements in relation to organizational and conduct of business matters for investment firms and regulated markets. In particular, MiFID and its implementing measures make specific provision in relation to, among other things, organizational requirements, outsourcing, customer classification, conflicts of interest, best execution, client order handling and suitability and appropriateness, and investment research and financial analysis, pre- and post-trade transparency obligations, transaction reporting and substantial changes to the responsibility for the supervision of cross border investment services.

As noted above, changes to the FSA's Conduct of Business rules came into effect on November 1, 2007 in accordance with the requirements of MiFID. Although MiFID does not apply to insurance businesses, it has driven changes to the FSA's conduct of business rules, including those that apply to insurance businesses.

Capital Requirements for Investment Businesses

The FSA's capital requirements for investment businesses are also contained in the Prudential Standards section of its Handbook, primarily in the General Prudential Sourcebook and the Prudential Sourcebook for Banks, Building Societies and Investment firms. These rules implement the requirements of E.U. legislation relating to the prudential supervision of investment firms, including the Capital Adequacy Directive (Directive 93/6/EEC), as re-cast by the Capital Requirements Directive (Directive 2006/49/EC).

Bermuda Insurance Regulation

Overview

The Bermuda Insurance Act 1978 and related regulations, as amended (the **"Insurance Act"**), regulates the insurance business of Opal Re and provides that no person may carry on any insurance business in or from within Bermuda unless registered as a long-term insurer by the BMA under the Insurance Act. Opal Re is registered as a long-term insurer by the BMA. The continued registration of an applicant as an insurer is subject to compliance with the terms of its registration and such other conditions as the BMA may impose from time to time.

The Insurance Act also imposes solvency and liquidity standards and auditing and reporting requirements on Bermuda insurance companies. Certain aspects of the Bermuda insurance regulatory framework are summarized below.

Cancellation of Insurer's Registration

An insurer's registration may be cancelled by the Supervisor of Insurance of the BMA on certain grounds specified in the Insurance Act, including failure of the insurer to comply with its obligations under the Insurance Act.

Principal Representative

An insurer is required to maintain a principal office in Bermuda and to appoint and maintain a principal representative in Bermuda. Opal Re's principal office is its executive offices at the Argus Insurance Building, 12 Wesley Street, Hamilton, Bermuda, and its principal representative is Northstar Group Holdings Limited, a Bermuda based reinsurance group that also provides insurance management services to Opal Re.

Independent Approved Auditor

Opal Re, as a registered insurer, must appoint an independent auditor to audit and report annually on the statutory financial statements and the statutory financial return of the insurer, both of which are required to be filed annually with the BMA. Opal Re's auditor is KPMG LLP.

Insurer's Approved Actuary

Long-term insurers such as Opal Re cannot carry on long-term business without an approved actuary (referred to in the Insurance Act as the "insurer's approved actuary"). An insurer's approved actuary must be approved by the BMA. Opal Re's approved actuary is Robert Holliday of KPMG LLP.

Annual Statutory Financial Return and Statutory Financial Statements

Under the Insurance Act, Opal Re is required to file annually a statutory financial return and financial statements within four months from the its financial year end, which may be extended on application to seven months. The statutory financial return includes the auditor's report on the financial statements and a certificate of the approved actuary on the liabilities recorded in the financial statements.

Minimum Margin of Solvency and Restrictions on Dividends and Distributions

The Insurance Act provides a minimum margin of solvency for long-term insurers, such as Opal Re. A long-term insurer is required to maintain a minimum solvency margin whereby its long-term business assets exceed its long-term business liabilities by not less than $250,000.

In addition, at any time it fails to meet its minimum solvency margin, Opal Re is required within 30 days after becoming aware of such failure or having reason to believe that such failure has occurred, to file with the BMA a written report containing certain information.

Additionally, under the Bermuda Companies Act, Opal Re may only declare or pay a dividend if Opal Re has no reasonable grounds for believing that it is, or would after the payment be, unable to pay its liabilities as they become due, or if the realizable value of its assets would not be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Supervision, Investigation and Intervention

The BMA has wide powers of investigation and document production in relation to Bermuda insurers under the Insurance Act. For example, the BMA may appoint an inspector with extensive powers to investigate the affairs of Opal Re if the BMA believes that such an investigation is in the best interests of its policyholders or persons who may become policyholders.

Disclosure of Information

The BMA may assist other regulatory authorities, including foreign insurance regulatory authorities, with their investigations involving insurance and reinsurance companies in Bermuda, but is subject to restrictions. For example, the BMA must be satisfied that the assistance being requested is in connection with the discharge of regulatory responsibilities of the foreign regulatory authority. Further, the BMA must consider whether cooperation is in the public interest. The grounds for disclosure are limited, and the Insurance Act provides sanctions for breach of the statutory duty of confidentiality.

Legal Proceedings

In the ordinary course of business, the Pearl Group is from time to time threatened with, or may become party to, legal actions and other proceedings. Below is a description of certain significant legal actions involving the Pearl Group.

Investment Management Claim

The Pearl Group is currently engaged in a dispute with a major asset management company in relation to the investment manager's actions as investment manager for the euro-denominated cash collateral portfolio related to the securities-lending program of Pearl Assurance and London Life with-profits funds. Pearl Assurance and London Life assert that the investment manager breached its obligations by investing part of the collateral portfolio in non-permitted assets.

Pearl Assurance, London Life and the investment manager have entered into an agreement to arbitrate this dispute, with the hearing set for March 2010. There can be no assurance as to the outcome of the proceedings with the investment manager.

Lehman Re

For information about the Pearl Group's claims against certain entities of Lehman Brothers, see "Risk Factors — Risks Related to the Pearl Group's Business — The Pearl Group is pursuing claims in connection with the collapse of Lehman Brothers."

HM Revenue & Customs

In connection with the transfer in 2004 of certain assets from the long-term fund of a Pearl Group company to that company's shareholder fund, HMRC has raised an assessment against the relevant company to additional tax in 2004 of £45 million plus interest accrued to date of approximately £12 million. The assessment has been appealed and it is possible that the matter may proceed to litigation. The matter has been disclosed as a contingent liability in the 2007 and 2008 accounts.

Competition

The Pearl Group is the largest U.K. consolidator of closed funds, measured by total assets. Other U.K. closed fund consolidators include Chesnara plc, Deutsche Bank and Swiss Re. In addition, Resolution Limited, a London-listed company that is not affiliated with the Pearl Group, has stated its interest in acquiring closed life funds. Other potential purchasers of closed life funds include other insurance companies, banks, hedge funds and private equity firms.

Employees

The Pearl Group had 1,529 full-time equivalent employees on December 31 2008, compared to 244 full-time equivalent employees on December 31, 2007.

In connection with the Pearl Group's planned closure of one of its two Glasgow offices and its Peterborough office in the spring of 2010 and the spring of 2011, respectively, and other headcount rationalization measures, the Pearl Group's management expects the number of employees to decrease by approximately 300 by the end of 2012.

The Pearl Group has collective consultation agreements in place with Unite, the largest U.K. trade union, covering certain types of employees at the group's Wythall and Glasgow premises and all employees at its Peterborough premises.

Operational Properties

The Pearl Group's principal executive offices are located in leased premises in London, England. In the United Kingdom, the Pearl Group also operates from leased office premises at one further site in London, two sites in Glasgow, one site in Peterborough and one site in Wythall and owns an office premise in Liverpool. In addition, the Pearl Group leases office premises in Dublin, Ireland. The Wythall site is leased from funds within the Pearl Group, which hold these premises as part of their investment portfolio.

The Pearl Group leases or subleases parts of its premises in Glasgow, Liverpool and Wythall to its outsourced service providers.

The Pearl Group is currently in the process of disposing of its Liverpool site, which was closed in December 2007. In addition, the group expects to close one of its two Glasgow sites and its Peterborough site in the spring of 2010 and the spring of 2011, respectively, with the ongoing core site for the Pearl Group service and life companies becoming Wythall.

The Pearl Group considers its existing facilities to be suitable and adequate for the management and operation of its business.

Subsidiaries

For information about Pearl's principal subsidiaries, see Note 35 to the Pearl Group's financial statements as of and for the year ended December 31, 2008 included in this proxy and consent solicitation statement.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF PEARL

The selected historical consolidated financial information presented below with respect to Pearl as of and for the years ended December 31, 2008, 2007 and 2006 was derived from consolidated financial statements of Pearl audited by Ernst & Young LLP, an independent registered public accounting firm, that are included in this proxy and consent solicitation statement. These financial statements have been prepared in accordance with UK GAAP. U.K. companies, such as Pearl, that are not listed on a stock exchange have the option to report either under IFRS or under UK GAAP. Recently issued FRSs under UK GAAP have replicated the wording of corresponding IFRS statements, reducing the differences between UK GAAP and IFRS significantly. Nonetheless, certain differences remain between UK GAAP and IFRS, primarily in relation to the presentation and disclosure required in financial statements in relation to the treatment of goodwill, intangible assets, income and deferred taxes and defined benefit pension schemes.

The Pearl Group's financial statements will be consolidated in our financial statements in accordance with IFRS for reporting periods ending after the date of the proposed Acquisition.

On May 1, 2008, Pearl, through its subsidiary Impala, acquired Resolution plc, a holding company for a group of closed life fund companies that was listed on the London Stock Exchange, for a purchase price of £5.0 billion pursuant to a court-approved scheme of arrangement. In connection with this acquisition, the Pearl Group transferred the On-Sold Resolution Assets to Royal London for total consideration of £1.3 billion (subject to certain post-closing adjustments, or "true-ups"), effective as of May 1, 2008. Resolution plc delisted from the London Stock Exchange on May 6, 2008 and was subsequently renamed Pearl Group Holdings (No. 1) Limited.

The selected historical consolidated financial information presented below with respect to Resolution plc as of and for the years ended December 31, 2007 and 2006 was derived from the consolidated financial statements of Resolution plc and audited by Ernst & Young LLP, an independent registered public accounting firm, that are included in this proxy and consent solicitation statement. These financial statements have been prepared in accordance with IFRS.

In accordance with UK GAAP, the consolidated financial statements of Pearl as of and for the year ended December 31, 2008 reflect the results of operations and cash flows of Resolution only for the period from May 1 to December 31, 2008.

In addition, the consolidated financial statements of Resolution plc as of and for the years ended December 31, 2007 and 2006 include the results of operations and financial position related to the On-Sold Resolution Assets.

The financial information below does not reflect the results of operations and financial position of the other companies that Liberty will be acquiring in the Acquisition, including:

- those Acquired Companies in the intermediary holding structure above Pearl, namely, SCIL and HIOL;
- those Acquired Companies in the intermediary holding structure for the 25% interest in Impala that Pearl does not currently own, namely, TC1, TC2, MC1, MC2, SC2L and HI2L; and
- Opal Re.

For the above reasons, as well as other transactions related to the Acquisition, the summary historical consolidated financial information presented below:

- with respect to Pearl is not indicative of the results of operations and financial position of the Acquired Companies had all of these entities been consolidated into Pearl's consolidated financial statements for the years ended December 31, 2008, 2007 or 2006 and is not indicative of our results of operations and financial position for any periods following the Acquisition; and
- with respect to Resolution is not indicative of what Resolution's contribution to the Pearl Group's results of operations and financial position would have been for the years ended December 31, 2007 and 2006 had Resolution been acquired by the Pearl Group as of January 1, 2006.

For information regarding the pro forma effect of a full-year consolidation of Resolution on the Pearl Group's results of operations for the year ended December 31, 2008, see "Unaudited Pro Forma Financial Information."

The information presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Pearl Group" and the consolidated financial statements of Pearl and Resolution plc and notes thereto included in this proxy and consent solicitation statement.

The Pearl Group

Profit and Loss Account Data of the Pearl Group (In accordance with UK GAAP)

	Year Ended December 31,		
	2008	2007[1]	2006
		(In millions)	
Long-term business technical account[2]			
Earned premiums net of reinsurance	£ 1,254	£ (3,367)	£ 521
Investment and other technical income	3,236	1,384	2,059
Total technical income	4,490	(1,983)	2,580
Claims incurred net of reinsurance	(5,228)	(1,876)	(2,398)
Change in technical provisions net of reinsurance	6,691	4,539	1,047
Net operating expenses	(372)	(105)	(134)
Investment expenses and charges	(1,469)	(215)	(69)
Unrealized losses on investment	(4,339)	(259)	(762)
Other technical charges	(150)	(102)	(65)
Taxation credit/(charge) attributable to the long-term business	114	40	(16)
Transfer from/(to) the fund for the future appropriations	347	44	(68)
Balance on the long-term business technical account	84	83	115
Non-technical account[3]			
Balance on the long-term business technical account	84	83	115
Taxation attributable	16	36	50
Shareholders' pre-tax profit from long-term business	100	119	165
Net investment and other income	(875)	57	15
(Loss)/Profit on ordinary activities before exceptional items and taxation	(775)	176	180
Negative goodwill on acquisition of subsidiary undertakings	—	—	11
(Loss)/Profit on disposals	—	—	109
(Loss)/Profit on ordinary activities before taxation	(775)	119	300
Taxation (charge)/credit on profit on ordinary activities	34	(35)	(60)
(Loss)/Profit on ordinary activities after taxation[4]	(741)	141	240
Minority interest[4]	131	—	—
(Loss)/Profit on ordinary activities attributable to shareholders	£ (610)	£ 141	£ 240

Balance Sheet Data of the Pearl Group
(In accordance with UK GAAP)

	As of December 31,		
	2008	2007[1]	2006
		(In millions)	
Assets			
Intangible assets	£ 1,243	£ 21	£ 26
Investments	61,172	25,340	22,145
Assets held to cover linked liabilities	10,595	3,963	4,182
Reinsurers' share of technical provisions	6,742	3,865	198
Debtors	754	102	101
Other assets	1,889	980	458
Prepayments and accrued income	683	286	303
Pension scheme	51	—	—
Total assets	83,129	34,557	27,413
Capital and reserves			
Called-up share capital	596	596	596

	As of December 31,		
	2008	2007[1]	2006
		(In millions)	
Subordinated loan	289	289	—
Foreign exchange reserve	13	—	—
Profit and loss account	(351)	592	512
Equity shareholder funds	547	1,477	1,108
Minority interest[4]	2,893	2	0
Fund for future appropriations	580	312	356
Technical provisions	60,920	23,057	24,415
Derivative liabilities	3,555	311	111
Non linked investment contract without discretionary participation features	248	—	—
Net assets attributable to unit holders	2,334	—	—
Obligation for repayment of collateral received	4,621	3,531	—
Provision for other risks	139	97	134
Deposits received from reinsurers	3,984	3,647	—
Creditors	2,975	2,073	1,255
Accruals and deferred income	231	50	34
Pension scheme	102	—	—
Total equity and liabilities	£83,129	£34,557	£27,413

(1) The Pearl Group has restated its consolidated financial statements as of and for the year ended December 31, 2007 to account for the cash collateral and value of related assets and liabilities in connection with the securities-lending and related cash-collateral reinvestment activities of the with-profits funds of Pearl Assurance and London Life that were entered into in 2006 in the same manner in which these items were accounted for in the Pearl Group's consolidated financial statements as of and for the year ended December 31, 2008. These items were not originally reflected in the Pearl Group's consolidated financial statements as of and for the year ended December 31, 2007. In addition, following a review of the terms of Pearl's £289 million upper tier 2 subordinated loan agreement, the Pearl Group's consolidated balance as of

December 31, 2007 has been restated to recognize this subordinated loan, which had been previously recognized as a debenture loan, as equity. In connection with this restatement, the Pearl Group's profit and loss reserves as of January 1, 2007 have been restated to recognize an additional £17 million of profit, reflecting the reversal of the accrued interest on the subordinated loan, and the Pearl Group's non-technical profit and loss account for the year ended December 31, 2007 has been restated to recognize an additional profit of £35 million, reflecting interest paid in 2007 being transferred directly to the profit and loss reserves.

(2) "Long-term business technical account" records those revenues and expenses of transactions that are related to the Pearl Group's insurance activities, such as transactions with policyholders and reinsurers, and other related activities, including corporate activities. The balance on the long-term account is the profit on insurance activities that is attributable to holding company shareholders of the Pearl Group life companies. For additional information about the long-term business technical account, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Pearl Group — Components of Revenues and Expenses — Long-Term Business Technical Account."

(3) "Non-technical account" relates to the Pearl Group's non-insurance activities and comprises the long-term business results that are attributable to shareholders, investment return and expenses that do not relate to the long-term business and other income and expenses. For additional information about the "non-technical account, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Pearl Group — Components of Revenues and Expenses — Non-Technical Account."

(4) Minority interest of £2,893 million as of December 31, 2008 comprises £2.2 billion attributable to the 25% interest in Impala that Pearl does not own (£1.6 billion of share capital and share premium and £663 million of subordinated loans, adjusted for losses in the period), £509 million attributable to the perpetual reset capital securities of Pearl Group Holdings No. 1 Limited, a wholly-owned subsidiary of Impala, which are treated as equity, and £149 million attributable to UK Commercial Property Trust Limited, a property fund. Upon completion of the Acquisition, Impala will become a wholly-owned indirect subsidiary of Liberty. For further information about minority interests, see Note 22 to Pearl's consolidated financial statements as of and for the year ended December 31, 2008, included in this proxy and consent solicitation statement.

Resolution plc(*)

Income Statement Data of Resolution plc
(In accordance with IFRS)

	Year Ended December 31,	
	2007	2006
	(In millions)	
Gross premiums written	£ 2,104	£ 1,633
Less: premiums ceded to reinsurers	(330)	(151)
Net premiums written	1,774	1,482
Fees and commissions	150	104
Net investment income	2,365	3,244
Total revenue, net of reinsurance payable	4,289	4,830
Other operating income	9	313
Net income	4,298	5,143
Policyholder claims	5,692	4,709
Less: reinsurance recoveries	(326)	(369)
Change in insurance contract liabilities	(2,703)	(1,384)
Transfer from unallocated surplus	(2)	(379)
Net policyholder claims and benefits incurred	2,661	2,577
Change in investment contract liabilities	387	409
Acquisition costs	112	89
Amortization of acquired in-force business	228	265
Impairment of acquired in-force business and deferred acquisition costs	—	522
Administrative expenses	594	488
Net income attributable to unit holders	99	217
Other operating expenses	89	—
Total operating expenses	4,170	4,567
Operating profit before financing costs and income taxes	128	576
Financing costs	(125)	(94)
Profit for the year before income taxes	3	482
Income taxes	132	49
Profit for the year attributable to equity holders	£ 135	£ 531
Profit for the year attributable to:		
Equity holders of the parent		
Ordinary shareholders	£ 115	£ 494
Perpetual reset capital securities	33	33
	148	527
Minority interests	(13)	4
Profit for the year attributable to equity holders	£ 135	£ 531

*Subsequently renamed Pearl Group Holdings (No. 1) Limited.

Balance Sheet Data of Resolution plc(*)
(In accordance with IFRS)

	As of December 31,	
	2007	2006
	(In millions)	
Assets		
Pension scheme surplus	£ 79	£ 80
Property, plant and equipment	39	55
Intangible assets	2,215	2,439
Investment Property	2,410	2,705
Financial assets	46,958	51,906
Insurance assets	3,370	3,341
Other	6,142	4,808
Total assets	61,213	65,334
Equity		
Equity attributable to equity holders of the parent	4,407	4,381
Minority interests	192	154
Total equity	4,599	4,535
Liabilities		
Insurance contracts	43,871	46,509
Provisions	69	65
Financial Liabilities	10,475	11,938
Deferred tax	857	982
Reinsurance payables	67	60
Payables related to direct insurance contracts	431	228
Deferred income	68	90
Current tax	130	169
Accruals	145	103
Trade and other payables	501	655
Total liabilities	56,614	60,799
Total equity and liabilities	£61,213	£65,334

*Subsequently renamed Pearl Group Holdings (No. 1) Limited.

DISCUSSION OF THE PEARL GROUP'S UNAUDITED EMBEDDED VALUE CALCULATION

The following discussion of the Pearl Group's unaudited embedded value contains forward-looking statements that are subject to unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements as a result of many factors, including those described under the heading "Risk Factors" and elsewhere in this proxy and consent solicitation statement.

Introduction

The Pearl Group's unaudited embedded value was £4,749 million as of December 31, 2008. Below is a discussion of embedded value and how the Pearl Group's embedded value is calculated.

Industry professionals look to embedded value as a proxy for the value that is expected to emerge over the full life of the business currently on the books of a life insurance business. Embedded value is an estimate of the economic worth of a life insurance business. It comprises the net assets of the business under UK GAAP and the present value of future cash flows from in-force business, excluding any value that may be generated by future new insurance business.

The components of embedded value are:

- assets available for distribution to shareholders, or free assets; plus
- assets supporting the solvency requirements of the business, or required capital; less
- the cost of holding required capital, or the cost of capital; plus
- the present value of future profits arising from the in-force business, or the value of in-force business.

Further detail of each component is provided below.

The Pearl Group's embedded value calculation includes Pearl and its subsidiaries, including all life insurance companies, asset management companies and service companies. This embedded value calculation excludes the net assets of the parent companies of Pearl and Impala (other than Pearl) and any deduction for the unlisted outstanding debt of these companies. For information about the pro forma embedded value of the combined Pearl Group and Pearl and Impala parent companies, see "Unaudited Pro Forma Financial Information."

Embedded Value Methodology

The Pearl Group's embedded value is based on a market-consistent methodology. Under this methodology, assets and liabilities are valued in line with market prices and consistently with each other. Details of the key components of the market-consistent embedded value are discussed below.

Free Assets and Required Capital

Free assets and required capital together comprise the net worth of the life insurance business.

For the Pearl Group life companies, net worth is defined as the market value of shareholder funds plus the shareholders' interest in surplus assets held in long-term business funds less the market value of any outstanding debt of the life companies.

For the Pearl Group non-life companies, net worth is defined as the net assets of the companies on a UK GAAP basis less the market value of any outstanding debt of these companies.

Embedded value allocates net worth between required capital, whose future distribution to shareholders is restricted, and free surplus, whose future distribution to shareholders is unrestricted.

For the Pearl Group, required capital is defined as the greater of:

- the amount of capital required to meet the FSA capital adequacy requirements, consisting of the greater of Pillar 1 and Pillar 2 capital requirements where:
  - under Pillar 1, the life companies are required to maintain excess capital in excess of policy liabilities calculated using a basis specified by the FSA; and
  - under Pillar 2, the life companies are required to carry out and submit their own assessment of capital requirements by assessing the major risks they are running and the capital they need to ensure that they remains able to meet their liabilities to policyholders in all but the most extreme circumstances.
- the capital required under the Pearl Group's capital management policy.

Net worth in excess of required capital is free assets.

Cost of Capital

Cost of capital is defined as the difference between the market value of shareholder-owned assets backing required capital and the present value of future releases of those assets allowing for future investment returns on that capital, investment expenses and taxes.

Value of In-Force Business

The market consistent value of in-force businesses **("VIF")** represents the present value of profits attributable to shareholders arising from the in-force business, less an allowance for the time value of financial options and guarantees embedded within life insurance contracts.

The approach adopted to calculate VIF combines deterministic and stochastic techniques (each of which is discussed in more detail below):

- Deterministic techniques have been used to value cash flows whose values vary in a linear fashion with market movements. These cash flows are valued using discount rates that reflect the risk inherent in each cash flow. In practice, it is not necessary to discount each cash flow at a different discount rate, as the same result is achieved by projecting and discounting all cash flows at the risk-free rate. This is known as the "certainty equivalent approach."
- Stochastic techniques have been used to value cash flows that have an asymmetric effect on cash flows to shareholders. Here, the calculation involves the use of stochastic models developed for the purposes of realistic balance sheet reporting.

Financial Options and Guarantees

The Pearl Group's embedded value includes an explicit allowance for the time value of financial options and guarantees embedded within insurance contracts, including investment performance guarantees on participating business and guaranteed vesting annuity rates. The cost of these options and guarantees to shareholders is calculated using market-consistent stochastic models calibrated to the market prices of financial instruments as of the period end.

Pension Schemes

Any deficit arising on the Pearl Group Pension Scheme and the PGL Staff Pension Scheme is included in the embedded value on an FRS 17 *Retirement Benefits* basis through the Pearl Group's net worth. Any surplus is valued at zero.

Debt

Consistent with market-consistent embedded value principles, all debt issued by subsidiaries of Pearl is listed and valued at the market value, quoted at the reporting date. For further detail on these securities, see "— Divisional Analysis of Embedded Value."

National Provident Life Securitized Bonds

Certain bonds issued by NPI and transferred to National Provident Life upon NPI's demutalization were backed by surpluses that were expected to emerge on blocks of its unit-linked and unitized with-profits business. This securitization has been valued on a cash-flow basis, allowing for payments expected to be due based on the projected level of securitized surpluses emerging. The full VIF of the securitized unit-linked and unitized with-profits business is expected to be payable to bondholders; therefore, no additional value accrues to the embedded value.

Taxation

Full allowance has been made for the value of tax that would become payable on the transfer of surplus assets out of non-profit funds. This allowance reflects the projected pace of releases of surplus from non-profit funds that is not required to support with-profits funds.

Allowance has also been made for the tax relief arising from interest payments made on the unlisted outstanding debt of the parent companies of Pearl and Impala. The value of the tax relief is determined by offsetting the tax payable on profits emerging against the tax relief afforded by interest payments on the debt.

Asset Management

The Pearl Group has two asset management businesses: Ignis and Axial.

Ignis has been included in the embedded value at an estimated market value comprising its net assets on a UK GAAP basis and the present value of future margins on existing life-company and third-party assets under management, discounted at the risk-free rate plus a margin of 1.25%. An estimate has also been included for the expected value of new third-party funds under management in line with sales forecasts.

The Pearl Group's 50.7% share of Axial has been included in the embedded value at its share of the net asset value on a UK GAAP basis.

Service Companies

The Pearl Group has two service companies: Pearl Group Management Services and Pearl Group Services.

The life companies' management services agreements with the service companies set the fees charged by the service companies for administering the life companies' policies. The service companies have been included in the Pearl Group's embedded value at net asset value on a UK GAAP basis, plus the present value of future profits arising from differences between the fees payable by the life companies and the costs expected to be incurred by the service companies. Future profits are discounted at the risk-free rate plus a margin of 1.25% for Pearl Group Management Services and at the risk-free rate plus a margin of 2.0% for Pearl Group Services.

The Pearl Group's embedded value includes an expected further contribution of £75 million that is expected to result from the consolidation of Glasgow and Peterborough operations into the Wythall site. All cost savings made by the service companies directly contribute to their embedded value.

New Business

The value of internal vesting annuities written during the period are reported as new business.

Embedded Value Assumptions

Economic Assumptions

The risk-free yield curve as of the valuation date was defined as the annually compounded U.K. nominal spot curve plus ten basis points. The risk-free rate was defined as the annualized return on the FTSE UK 15-year gilt index plus ten basis points. As of December 31, 2008, the annualized return on the FTSE UK 15-year gilt index was 3.74%, giving a risk-free rate of 3.84%.

Under the certainty equivalent approach, all gross investment returns are assumed to be equal to the risk-free rate. The gross investment returns are allocated to income and gains as follows:

	As of December 31, 2008		
Asset Class	**Income**	**Gains**	**Total Return**
Gilts	3.84%		3.84%
Other fixed interest	3.84%		3.84%
Index linked gilts	1.35%	2.49%	3.84%
Equities — UK	3.07%	0.77%	3.84%
Equities — Overseas	2.60%	1.24%	3.84%
Property	3.84%		3.84%
Cash	3.84%		3.84%

Corporate bond spreads over gilts may be broken down into three elements: an allowance for the long-term average rate of default, a premium for the risk of defaults exceeding historic averages and a premium for the risk of illiquidity.

The Pearl Group employs a buy-to-hold strategy for corporate bonds backing illiquid immediate and deferred annuity business and therefore factors this liquidity premium into the embedded value calculation. For purposes of the embedded value calculation, the liquidity premium for this business has been determined based on an analysis of historic default experience and is dependent on rating and duration of the relevant bonds. The liquidity premium has been reduced for particular bonds where there is greater uncertainty based on the advice of the relevant asset manager. As of December 31, 2008, this approach in valuing corporate bonds is equivalent to an assumption that approximately 100 basis points of the corporate bond spread is attributable to default risk and the remainder to liquidity premium.

For purposes of the embedded value calculation, the rate of increase in the U.K. Retail Price Index **("RPI")** as of December 31, 2008 is assumed to be 2.54%, based on the Bank of England implied inflation curve at the 15-year term. The rate of increase in U.K. National Average Earnings inflation is assumed to be RPI + 100 basis points, or 3.54%.

The asset mix for each Pearl Group life company is based on the actual assets held as of December 31, 2008 in accordance with each life company's investment criteria.

Stochastic Economic Assumptions

The time value of options and guarantees is calculated using economic scenario generators, calibrated to market conditions as of December 31, 2008. The same scenario generators are used for both realistic balance sheet and embedded value purposes.

Nominal interest rates have been modeled using the LIBOR market model, calibrated to zero-coupon bond yields plus ten basis points.

The volatility structure of forward rates is calibrated to the observed volatilities on 20-year at-the-money swaptions.

Real interest rates have been modeled using the two-factor Vasicek model, calibrated to index-linked gilts. Equity volatility is calibrated to replicate the prices on a range of FTSE options. A sample of derived volatilities (by asset class) is provided in the following table:

	Sample Volatilities as of December 31, 2008				
Term (years)	5	15	20	25	35
15-year zero coupon bonds	11.5%	5.6%	5.0%	5.7%	7.6%
15-year A-rated corporate bonds	14.3%	7.1%	6.7%	7.4%	8.9%
UK equities	35.8%	28.8%	31.7%	33.3%	36.0%

The time value of options and guarantees used in the calculation of embedded value also allows for expected management action and policyholder response to the varying external economic conditions simulated by the economic scenario generators. Policyholder response has been modeled based on historical experience. Management actions have been set in accordance with each life company's Principles and Practices of Financial Management.

Expenses

Each life company's projected per policy expenses are based on existing management services agreements with the Pearl Group service companies, adjusted to allow for additional costs incurred directly by the life companies, including, for example, regulatory fees and one-time expenses.

The life companies' projected investment expenses are based on the fees agreed with the Pearl Group asset management businesses (or external fund managers, where appropriate), allowing for current and projected future asset mixes.

Corporate expenses have been included within the VIF for the service companies.

Other Assumptions

All other assumptions used in the calculation of embedded value reflect the best estimate of future experience and are reviewed regularly by management in light of emerging data on both industry and company-specific experience.

Compliance With the CFO Forum's Market Consistent Embedded Value Principles

The CFO Forum is a high-level discussion group attended by the chief financial officers of major European listed, and some non-listed, insurance companies. The forum's aim is to discuss issues relating to proposed new accounting regulations for insurance companies and how to create greater transparency for investors.

The CFO Forum published its Market-Consistent Embedded Value ("**MCEV**") principles in June 2008. The CFO Forum has stated that the adoption of these principles is intended to deliver:

- a shareholder's perspective on value, being the present value of future cash flows available to the shareholder, adjusted for the risks of those cash flows;
- a market-consistent approach to financial risk;
- a greater focus on disclosing cash emerging from covered business; and
- disclosure of combined group MCEV information to make the principles standard practices in embedded reporting for the entire insurance industry.

While all CFO Forum member companies were originally required to adopt the MCEV principles as of December 31, 2009, the CFO Forum, on May 22, 2009, extended this deadline to 2011 to enable the CFO Forum to conduct a review of the impact of recent turbulent market conditions on the MCEV principles. This review may lead to changes to the published MCEV principles or to the issuance of guidance by the CFO Forum.

As a private company, Pearl has historically reported embedded value on a basis consistent with the Pearl Group's financing agreements, and this basis has been used in preparing the Pearl Group's embedded value results below. There are some points of divergence between the MCEV principles and the principles used by the Pearl Group in calculating its embedded value, including:

- in line with some peers, the value-in-force for the Pearl Group life companies includes an allowance for the liquidity premium on corporate bonds backing illiquid annuity business where the Pearl Group expects to hold these bonds to maturity;
- the valuation of Ignis's asset management businesses is included within the embedded value at an estimated market value that includes the value of new third-party business in line with sales forecasts;
- as the Pearl Group's life companies' funds have been closed to new business for a number of years, no explicit allowance has been included within the Pearl Group's embedded value for the cost of non-hedgeable, non-financial risk, arising from such risks as product mis-selling and regulatory risks; and
- the embedded value of the Pearl Group service companies recognizes the future expected cost savings from the announced closure of the Glasgow and Peterborough sites reflecting the progress that has been made in consolidating these operations into the Wythall site to date.

Embedded Value Results

On May 1, 2008, the Pearl Group completed its acquisition of Resolution. The results below are prepared on a pro forma basis as if this acquisition had occurred as of December 31, 2007.

An analysis of movement in the Pearl Group's embedded value for the year ended December 31, 2008 is set forth in the table below. All amounts are shown net of tax.

	As of December 31, 2008
	(In millions)
Opening embedded value as of December 31, 2007	£ 6,453
Contribution from new business	21
Expected return	297
Financing costs	(1,551)
Operating experience variances	21
Operating assumption changes	(9)
Non-recurring items	14
Economic experience variances and assumption changes	(497)
Closing embedded value as of December 31, 2008	£ 4,749

The embedded value of £4,749 million excludes the net assets of the parent companies of Pearl and Impala and any deduction for the unlisted outstanding debt of these companies. For information about the pro forma net embedded value of the combined Pearl Group and combined Pearl and Impala companies, see "Unaudited Pro Forma Financial Information."

Contribution From New Business

Although the Pearl Group is closed to new business (other than increments to existing policies), new business profits are generated from vesting deferred annuity policies written in the non-profit funds during the year. No credit has been taken in the embedded value for future new business.

The contribution to embedded value from the Pearl Group's new business written in 2008 was £21 million. This contribution has been valued as of January 1, 2008 using start of period economic and operating assumptions and is shown net of tax. All new business is single-premium business.

New Business Volumes		Annual Premium Equivalent	Present Value of New Business Premiums	New Business Contribution	New Business Margin
Single Premium	Regular Premium				
(In millions)	(In millions)	(In millions)	(In millions)	(In millions)	%
£557	£0	£56	£557	£21	4%

The new business margin of 4% shown in the table above represents the ratio of the net of tax new business contribution to the present value of new business premiums **("PVNBP")**. The PVNBP is equal to the new single premiums.

Expected Return

The expected return on the existing business for the year ended December 31, 2008 of £297 million reflects the expected profits arising from in-force business and the expected return on shareholders' net worth held within the long-term business and shareholder funds (based on the risk-free investment return assumptions as of December 31, 2007).

Financing Costs

The costs of financing the Resolution acquisition incurred during 2008 were £1,551 million and comprise:

- repayment of a £995 million bridging loan and a £235 million bank loan, offset by £131 million of excess finance raised over the cost of acquiring Resolution;
- £254 million reflecting the payment of interest on the bridging loan, other bank debt and the listed debt of Resolution; and
- an accrual of £198 million due to Royal London under the terms of the Resolution acquisition.

Operating Experience Variances

Overall, the Pearl Group's operating experience was in-line with long-term expectations and contributed £21 million to profits, comprising:

- positive expense variance of £46 million primarily due to a reduction in corporate head office costs, offset by:
- negative persistency and claims variances of £28 million, primarily due to higher-than-expected lapses on unit-linked business in SMI and improved persistency on policies with guarantees.

Other experience variances contributed a further £3 million to profit.

Operating Assumption Changes

Changes to the operating assumptions reduced embedded value by £9 million and comprised:

- changes to early retirement assumptions on pensions business, which contributed £35 million to embedded value; and
- lower future expense and expense inflation assumptions, which contributed £22 million to embedded value;

offset by:

- a charge to profits of £52 million from a fall in the value of Ignis as a result of lower new business expectations; and

- a charge to profits of £16 million, primarily as a result of changes to persistency assumptions in light of emerging experience.

Other changes to insurance assumptions contributed a further £2 million to profit.

Non-Recurring Items

Non-recurring items contributed a total of £14 million to the embedded value.

The Part VII transfer of business from Scottish Mutual Assurance and Scottish Provident to Phoenix Life, although implemented as of January 1, 2009, has been fully reflected in the embedded value as of December 31, 2008. Total benefits of £13 million arose from the transfer, comprising a £30 million contribution to profit arising from an increase in the value of certain tax assets and a reduction in the cost of required capital of £3 million, offset by project costs and a reduction in renewal expenses charged to policyholders totaling £20 million. The funds merger resulted in a one-time release of capital of £259 million.

Other one-off items include the sale of the renewal rights of BA(GI) Limited, a general insurance subsidiary of the Pearl Group, to Lloyds TSB contributing £5 million offset by other project costs of £4 million.

Economic Experience Variances and Assumption Changes

Financial market volatility resulted in a charge to profits of £497 million. This was primarily driven by:

- falls in the equity and property markets resulted in a charge to profits of £388 million arising from reductions in the value of future shareholder transfers from with-profit funds and the value of future charges on unit-linked policies;
- reductions in the market values of corporate bonds partially offset by the allowance for the liquidity premium on bonds backing annuity business resulted in a charge to profits of £338 million;
- a deterioration in the Pearl Group Pension Scheme asset position resulted in a pension scheme deficit of £102 million;
- lower future profits from the asset management businesses as a result of the reduction in asset values resulted in a charge to profits of £50 million;
- a decrease in the value of future tax losses of £30 million; and
- other adverse economic experience resulted in a charge to profits of £14 million.

The above negative experience was partially offset by:

- a reduction of £412 million in the market value of listed debt issued by Pearl Group Holdings No. 1 Limited and Scottish Mutual Assurance; and
- changes in the yield curve affected the valuation of liabilities and swap contracts and resulted in an increase to profits of £13 million.

Divisional Analysis of Embedded Value

A divisional analysis of embedded value as of December 31, 2008 is set out below.

	Net Worth	Intrinsic Burn Through Cost	Adjusted Net Worth	Market Consistent VIF	Time Value of Options and Guarantees	Cost of Required Capital	Total Embedded Value as of December 31, 2008
				(In millions)			
Life companies	£2,443	£ (107)	£2,336	£1,988	£ (186)	£ (216)	£3,922
Service companies	91	0	91	238	0	0	329
Asset management	32	0	32	372	0	0	404
Group	(235)	0	(235)	544	0	0	309
Embedded value (before listed debt)	2,331	(107)	2,224	3,142	(186)	(216)	4,964
Listed debt	(215)	0	(215)	0	0	0	(215)
Embedded Value	£2,116	£ (107)	£2,009	£3,142	£ (186)	£ (216)	£4,749

Net Worth

The Pearl Group life companies have intra-group loans with other group companies. Where these loans represent long-term financing, they have been included in the net assets of the relevant lending group company. This presentation has no impact on the overall embedded value but does affect the split between life and other group companies. As of December 31, 2008, intra-group loans totaled £3,743 million.

For purposes of the embedded value calculation, net worth includes a charge of £(102) million in respect of the Pearl Group Pension Scheme. The PGL Staff Pension Scheme surplus of £51 million is valued at zero.

Intrinsic Burn-Through Cost

The net worth of the life companies includes an intrinsic burn-through cost of £107 million as of December 31, 2008 in respect of Phoenix and London Assurance. This amount has been derived from the results of the stochastic models and scenario testing, which indicate that none of the £79 million loan made to the Phoenix and London Assurance long-term fund in 2004 plus accumulated interest of £28 million will be repaid.

Market-Consistent VIF

The market-consistent VIF represents the present value of profit attributable to shareholders discounted at the risk-free rate, less an allowance for the time value of financial options and guarantees.

The VIF emerging in the Pearl Group companies is the value of tax relief arising from interest payments made on the outstanding debt of the parent companies of Pearl and Impala. The value of the tax relief is determined by offsetting the tax payable on future profits against the tax relief afforded by interest payments on the debt.

Cost of Required Capital

Regulatory required capital is the amount of capital required to meet the FSA capital adequacy requirements, consisting of the greater of Pillar 1 and Pillar 2 capital requirements.

The cost of required capital in the embedded value is based on regulatory required capital plus an additional amount required under the Pearl Group's capital policy. A breakdown of the Pearl Group's required capital is shown in the following table:

	Regulatory Required Capital	Embedded Value Required Capital	Shareholder Capital Supporting Embedded Value Required Capital	Cost of Embedded Value Required Capital	Excess Over Regulatory Required Capital
			(In millions)		
Total capital supporting capital requirements as of December 31, 2008 . .	£4,708	£5,957	£1,833	£216	£1,249

Embedded value required capital was £5,957 million as of December 31, 2008, of which, £4,124 million is covered by with-profit fund capital. The remaining £1,833 million is covered by shareholder capital, the market-consistent cost of which is £216 million.

Listed Debt

The Pearl Group's consolidated balance sheet as of December 31, 2008 includes perpetual reset capital securities with a face value of £500 million and subordinated debt with a face value of £200 million in relation to Scottish Mutual Assurance. These listed securities have been included within the embedded value at their market value quoted at the reporting date, consistent with market consistent embedded value principles

The following table summarizes the value of these debt obligations as of December 31, 2008:

	Face Value	Market Value
	(In millions)	
Perpetual reset capital securities	£500	£ 95
Scottish Mutual Assurance bond	200	120

Sensitivity to Assumptions

The following table summarizes the key sensitivities affecting the embedded value as of December 31, 2008:

	Change in Embedded Value[(1)]	
	(£ millions)	(%)
Embedded value as of December 31, 2008	4,749	0%
100 basis point increase in risk-free rates	(50)	(1)%
100 basis point decrease in risk-free rates	35	1%
10% decrease in equity and property market values	(129)	(3)%
100 basis point increase in credit spreads	(53)	(1)%
25% decrease in lapse rates and paid-up rates	2	0%
25% increase in lapse rates and paid-up rates	(13)	0%
5% decrease in annuitant mortality	(101)	(2)%

(1) The change in embedded value excludes any second-order impacts on the embedded value of the asset management businesses, service companies and listed debt.

100 Basis Point Rise and Fall in Risk-Free Rates

A decrease (increase) in risk-free rates impacts the embedded value in several ways. Within the with-profits funds, the cost of financial options and guarantees will increase (decrease). This will be offset by the upward (downward) revaluation of fixed interest assets and a decrease (increase) in the cost of capital. The

overall impact of the decrease in risk-free rates is an increase in the embedded value of £35 million. An equivalent increase in risk-free rates decreases the embedded value by £50 million.

10% Decrease in Equity and Property Market Values

A 10% immediate reduction in the market values of equity and property assets reduced embedded value by £129 million, principally driven by a reduction in the VIF on unit-linked business and a fall in the value of direct holdings.

100 Basis Point Increase in Credit Spreads

A 100 basis point increase in credit spreads reduces embedded value by £53 million. This is due to a reduction in the value of corporate bond holdings, partially offset by allowance for the liquidity premium.

25% Decrease and Increase in Lapse Rates and Paid-up Rates

The principal impact of a change in lapse rates is on unit-linked VIF where an increase in lapse rates reduces the present value of future charges on this business. This is partially offset by a reduction in the cost of capital as the business runs off more quickly, and a reduction in the cost of financial options and guarantees as less business is retained to maturity when guarantees bite. Overall, a 25% increase in lapse rates reduces the embedded value by £13 million. A decrease to lapse rates has a smaller net effect, increasing embedded value by £2 million.

5% Proportionate Decrease in Annuitant Mortality Rates

Shareholder exposure to a decrease in annuitant mortality is concentrated within Phoenix Pensions Limited, which accounts for £81 million of the £101 million reduction in embedded value. The remainder is spread out across the with-profits funds, where reserve increases and increases in cost of guarantees result in lower shareholder transfers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE PEARL GROUP

The following discussion and analysis should be read in conjunction with the Pearl Group's consolidated financial statements and the related notes thereto (referred to as the "consolidated financial statements" in this section) included elsewhere in this proxy and consent solicitation statement. The following discussion of the Pearl Group's financial condition and results of operations contains forward-looking statements that are subject to unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements as a result of many factors, including those described under the heading "Risk Factors" and elsewhere in this proxy and consent solicitation statement.

The consolidated financial statements have been prepared in accordance with UK GAAP. U.K. companies, such as Pearl, that are not listed on a stock exchange have the option to report either under IFRS or under UK GAAP. Recently issued FRSs under UK GAAP have replicated the wording of corresponding IFRS statements, reducing the differences between UK GAAP and IFRS significantly. Nonetheless, certain significant differences remain between UK GAAP and IFRS, primarily in relation to the presentation and disclosure required in financial statements and in relation to the treatment of goodwill, intangible assets, income and deferred taxes and defined benefit pension schemes.

The Pearl Group's financial statements will be consolidated in our financial statements in accordance with IFRS for reporting periods ending after the date of the proposed Acquisition.

While the discussion below relates to the consolidated financial statements, the Pearl Group considers the primary key indicator for assessing the group's historical and future value to be Embedded Value, a non-GAAP measure that is not reflected in the consolidated financial statements. For a discussion of embedded value, see "Discussion of the Pearl Group's Unaudited Embedded Value Calculation."

Overview

The Pearl Group is a closed fund consolidator that specializes in the management and acquisition of closed life and pension funds and operates primarily in the United Kingdom. Measured by total assets, the Pearl Group is the largest U.K. consolidator of closed life funds.

The Pearl Group has eight main life companies:

- Pearl Assurance
- London Life
- National Provident Life
- NPI
- Phoenix Life
- Phoenix and London Assurance
- Phoenix Pensions; and
- SMI.

These companies have a diversified mix of long-term business, with reserves split approximately 59% with-profits, 23% non-profit and 18% unit-linked as of December 31, 2008.

The Pearl Group's two wholly-owned service companies, Pearl Group Services and Pearl Group Management Services, provide, or manage the provision of, the administrative services required by the Pearl Group life companies, including policy administration, information technology, finance and facility management services to the Pearl Group life companies.

The Pearl Group also has two asset management businesses:

- Ignis is a traditional asset manager, with £47.5 billion of assets under management as of December 31, 2008, including £41.7 billion of Pearl Group life company assets and £5.8 billion of third-party assets (including £1.5 billion of assets subsequently transferred to Royal London); and
- Axial specializes in providing asset management and asset liability management services to the Pearl Group life companies and related companies, including asset allocation and risk management advice, with £23.4 billion of Pearl Group and related company assets under management as of December 31, 2008, managed by both external investment managers, under Axial's oversight and directly by Axial in relation primarily to fixed-income assets.

As of December 31, 2008, the Pearl Group had an unaudited gross embedded value of £4.75 billion, approximately 7.6 million policies in force representing liabilities of £60.9 billion and total assets under management of approximately £70.9 billion, including both assets of the Pearl Group life companies and third-party assets managed by the Pearl Group.

When assessing the performance of the Pearl Group, it is helpful to understand revenues, expenses and cash flows at the individual life company level as well as on a consolidated, group-wide basis:

- At the life company level, a life company's revenues and cash inflows include policyholder premiums and investment returns earned on the life funds' assets under management. The life company's expenses and cash outflows include the life company's expenses and policyholder benefits. Depending on the type of fund or policy, some of these revenues and expenses are attributable to the life company's policyholder funds and others are attributable to its shareholder funds.
- On a consolidated basis, the Pearl Group's income and cash flows are generated primarily from interest income earned on shareholder assets, the release of surplus capital from life companies and investment management fees earned on assets under management in the group's asset management businesses.

Under UK GAAP, the Pearl Group's consolidated profit and loss account is divided into a technical account and non-technical account. Results attributable to the Pearl Group's insurance activities are accounted for in the technical account, and the results attributable to shareholders are accounted for in the non-technical account. For additional information about the technical and non-technical accounts, see "— Components of Revenues and Expenses."

The Pearl Group life companies may distribute, in the form of dividends and loans, to their holding companies (i.e., Pearl and Impala) any positive cash flows that are attributable to the shareholders, subject to each life company's regulatory capital requirements for the protection of policyholders and other regulatory conditions. Over time, the life companies are required to hold less capital as the number of policies and the risks and liabilities for which capital is required to be held decrease. As the life companies' capital requirements decrease, their surplus capital may be released from the life companies and the cash distributed to shareholders, currently including Pearl and its shareholders, and, following completion of the proposed Acquisition, us and our shareholders.

Each type of life policy generates different levels of returns for shareholders from different sources:

- With-profits policies generate returns from investment income.
- Unit-linked policies generate returns through expense charge deductions and annual investment management charges.
- Annuity policies generate returns as policyholders die earlier than anticipated and reserves are released.

While ensuring at all times that all subsidiaries are appropriately and adequately capitalized, the Pearl Group attempts to maximize the level of capital that can be released for the benefit of shareholders from the life companies' life funds and, in turn, the life companies themselves through:

- efficient management of each life fund's cost base to match the run-off of its underlying policies;

- enhanced investment management;
- rationalization of fund structures and the number of life companies through fund mergers:
- more predictable and accurate liability management; and
- reduced need for capital to support new business (because the life and pension funds are closed to new business).

Acquisition of Resolution

On May 1, 2008, Pearl, through its subsidiary Impala, acquired Resolution plc, a holding company for a group of closed life fund companies that was at the time listed on the London Stock Exchange, for a purchase price of £5.0 billion in cash. In connection with this acquisition, the Pearl Group agreed to transfer the On-Sold Resolution Assets to Royal London for total consideration of £1.3 billion (subject to certain post-closing adjustments), with effect as of May 1, 2008. This transfer was completed simultaneously with the completion of Impala's acquisition of Resolution plc. In accordance with UK GAAP, the consolidated financial statements of the Pearl Group as of and for the year ended December 31, 2008 reflect the results of operations and cash flows of Resolution only for the period from May 1 to December 31, 2008.

For information regarding the pro forma effect of a full-year consolidation of Resolution on the Pearl Group's results of operations for the year ended December 31, 2008, see "Unaudited Pro Forma Financial Information."

Recent Developments

Part VII Transfers

On January 30, 2009, the English High Court approved a Part VII transfer of certain businesses within Scottish Provident and Scottish Mutual Assurance to Phoenix Life. The effective date of this transfer was January 1, 2009. This Part VII transfer released capital within the Pearl Group and increased the Pearl Group's IGD solvency surplus basis to £673 million.

Royal London True-up

As part of the arrangements for the acquisition of Resolution plc in May 2008, Pearl agreed with Royal London, a true-up mechanism in relation to the On-Sold Resolution Assets that were acquired by Royal London for £1.3 billion, because at the time these assets were transferred to Royal London, the value of the assets had been based only on information that had been made publicly available by Resolution plc prior to the acquisition. The true-up mechanism required that Pearl and Royal London were to subsequently assess the value of the On-Sold Resolution Assets to determine the amount of any balancing payments due. As a result of an assessment of these assets completed in June 2009, Pearl has agreed that it owes Royal London a total of £271 million plus interest, split between tax and non-tax related matters. Under the agreed terms of settlement for this debt, the amounts owed by Pearl to Royal London under the true-ups will be set-off against the amounts owed by Royal London to Impala and its subsidiaries. Interest will accrue on the relevant balances until set-off at the closing of the proposed Acquisition, with the net amount to be owed to Royal London and being dependent of the closing date of the proposed Acquisition.

Deferral of Interest Payments on Tier 1 Bonds

On April 25, 2009, Pearl Group Holdings (No. 1) Limited, a subsidiary of Pearl, deferred the interest payments on its £500 million outstanding principal amount of Tier I debt, as permitted by the terms of the agreements governing this debt. Pearl Group Holdings (No. 1) Limited has no present intention to initiate the debt's alternative coupon satisfaction mechanism. On March 26, 2009, the Pearl Group announced that it is evaluating the making, or procuring of, an offer for the Tier I debt.

Trading Update

Since December 31, 2008, financial markets have remained volatile across a wide range of asset classes. From December 31, 2008 to June 30, 2009, the FTSE All Share Index decreased by 1.7% and the spreads for European AA corporate bonds narrowed by 56 basis points, while the IPD UK All properties index return from December 31, 2008 to May 31, 2009 was (12.4)%.

Notwithstanding volatility in market movements, fixed income markets are now improved since December 31, 2008. In addition, the Pearl Group's embedded value is relatively insensitive to market movements. Therefore, its embedded value is not expected to have significantly changed by reference to market factors.

Factors Affecting Results of Operations, Financial Condition and Cash Flows

The Pearl Group's results of operations, financial condition and cash flows are principally affected by a variety of factors, some of which are outside the group's control. These factors include those discussed below.

Mortality and Longevity

The Pearl Group's results of operations and cash flows may be negatively affected by increased mortality and longevity rates and by variances between assumed and actual experience in factors such as persistency levels. The Pearl Group manages its exposure to changes in mortality and longevity rates by holding prudent reserves based on assumptions that reflect past experience and anticipated future trends. During the periods under review, the Pearl Group also moved to mitigate its exposure to changes in these rates by reinsuring the pension annuity in-payment liabilities of its life companies Pearl Assurance, London Life and NPI with Opal Re.

Financial Instrument Risks

The Pearl Group derives a significant portion of its total income from investment income. Investment income represented £2,763 million of consolidated income in the Pearl Group's technical account and £169 million of consolidated income in its non-technical account in 2008. The life companies' investment policies generally focus on purchasing investment grade securities, principally fixed-rate and fixed-maturity securities, with the investment portfolio managed to meet each life company's diversification, yield and liquidity requirements. The Pearl Group's investments and other financial instruments are exposed to the following primary types of risks that may affect the Pearl Group's results of operations, financial condition and cash flows:

- *counterparty risk*, arising from decreases in the market value of investments caused by deterioration in the actual or perceived creditworthiness or default of issuers of the relevant instruments or from trading counterparties failing to meet all or part of their obligations, such as reinsurers failing to meet the obligations assumed under reinsurance arrangements or derivative counterparties or stock-borrowers failing to pay as required;
- *interest rate risk*, arising from movements in interest rates. These movements impact the value of policy guarantees and the value of fixed-interest assets relative to the value of the related liabilities. The market value of the Pearl Group's fixed-maturity or fixed-interest assets increases or decreases in an inverse relationship to fluctuations in interest rates. In addition, the Pearl Group's investment income from these assets generally increases or decreases in direct relationship with interest rate changes;
- *equity and property price risk*, arising from reductions in the value of the Pearl Group's equity and property assets from market fluctuation. These reductions may limit the cash proceeds from sales of these assets available to fund long-term life and pension obligations and may, in certain circumstances, require cash that has been distributed from the long-term funds to the shareholder funds to be transferred back to the long-term funds to cover any shortfalls;

- *liquidity risk*, arising from liquidity shortages or insufficient liquid assets to meet Pearl Group's payment obligations; and
- *foreign exchange risk*, arising to the extent that the value of amounts denominated in foreign currencies fluctuate against the pound sterling. During the periods under review, the Pearl Group's unhedged exposure to fluctuations in foreign exchange rates was low.

General Economic and Market Conditions

The Pearl Group's investment income can be volatile and vary depending on market fluctuations. Global financial markets have been extremely volatile during the current credit crisis, which began in August 2007. Significant decreases in equity and property values, increases in credit spreads and changes in yield curves decreased the value of the Pearl Group's investment assets and increased its policyholder liabilities in 2007 and 2008. The increase in these liabilities was primarily the result of:

- more life and pension guaranteed annuity options **("GAOs")** being "in the money." These GAOs were attached to a number of pension policies that provided for a minimum conversion rate, meaning that at retirement, the policyholder could benefit from the contractually guaranteed conversion rate. With declining interest rates, policyholders find it increasingly attractive to convert their GAOs, representing a risk of losses for the Pearl Group; and
- a lower discount rate on policyholder liabilities, which increases the present value of the liabilities.

As the value of assets managed by the Pearl Group's asset management businesses, Ignis and Axial, have decreased since the beginning of the current credit crisis, the Pearl Group's income from management and administration fees has also decreased as these fees are directly linked to the value of assets under management.

Critical Accounting Policies

The preparation of the consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Pearl Group bases its estimates on historical experience and on various other assumptions that its management believes are reasonable under the circumstances, and provide a basis for making judgments about the carrying value of assets and liabilities that are not readily available through open market quotes. Estimates and assumptions are reviewed periodically, and actual results may differ from those estimates or conditions.

The Pearl Group believes that the critical accounting policies below affect the more significant estimates used in the preparation of the consolidated financial statements under UK GAAP. If actual events differ from the assumptions used in applying accounting policies and calculating financial results, there could be a material adverse effect on our results of operations, financial condition and liquidity.

Investments

As of December 31, 2008, the Pearl Group's investments and assets held to cover linked liabilities totaled £71.8 billion. The Pearl Group assesses the fair value of financial instruments traded in active markets, such as publicly traded securities and derivatives, based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price on the trade date. The fair value of investments that are not traded in an active market is determined using valuation techniques. Routine purchases and sales of financial assets are accounted for on the trade date. The fair value of equity shares and other variable yield securities and of derivative financial instruments may be estimated using pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the balance sheet date. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

For units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published bid-values. The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The fair value of fixed-interest bearing deposits is estimated using discounted cash flow techniques.

While the Pearl Group's management believes that the estimates and assumptions employed in developing the fair value estimates of investment assets are reasonable and present management's best estimate of such values, a reasonable range of values exists with respect to most assumptions utilized in determining these values. As a result of potentially significant variability in the estimates of the assumptions used in these models, the range of reasonable estimates of the fair value of investment assets is significant.

Long-Term Business Provisions and Technical Provisions for Linked Liabilities

As of December 31, 2008, the Pearl Group recognized on its balance sheet technical provisions, or provisions for expected liabilities to policyholders, totaling £60.9 billion under "long-term business provisions" and "technical provisions for linked liabilities."

Material judgment is required in calculating the Pearl Group's long-term business provision. In particular, the Pearl Group's management has discretion over the assumptions used in calculating this provision. The variance of actual experience from that assumed may result in actual liabilities differing from the provisions made for them. In calculating realistic liabilities, or liabilities related to the with-profit business, the Pearl Group takes account of future management actions consistent with those set out in the Pearl Group's publicly available Principles and Practices of Financial Management, which, as required by the FSA's regulations, set forth the principles and practices that the Pearl Group applies in the management of its with-profits funds. The most significant of these principles is that bonus rates credited to policyholders in the with-profits funds are assumed to change as markets change, subject to guarantees and smoothing constraints.

The assumptions that are used to calculate technical provisions are set by reference to publicly available market data and then validated to ensure that the current assumptions continue to reflect actual experience.

For with-profits business, the Pearl Group calculates the long-term business provision in accordance with the FSA's realistic capital regime, adjusted to exclude shareholders' share of the future bonuses and the associated tax liability as required by FRS 27 *Life Assurance*.

For non-profit business, technical provisions are valued using a gross premium method allowing for a prudent level of discontinuances.

The Pearl Group is subject to a number of inherent risks that impact the value of technical provisions, including interest rate risk, market fluctuations and changes in mortality and longevity rates. If interest rates decline, the Pearl Group's long-term business provision will increase as a lower discount rate will be applied. Similarly, if policyholder life expectancy increases, and annuitants live longer, the long-term business provision in respect of annuities would increase, while the provision in respect of life policies would decrease. Where policies have been sold that include options (e.g., the GAOs described above), the Pearl Group makes provision to allow for assumed policyholder behavior. Where actual behavior differs from that assumed, a corresponding change in the provisions will be required.

Policyholder liabilities may also arise in respect of claims relating to the interpretation of policy terms, or the circumstances in which policyholders have entered into them. The extent of such liabilities is influenced by the actions and requirements of the FSA, the rulings of regulatory agencies, industry compensation orders and court judgments.

Goodwill

As of December 31, 2008, the Pearl Group had net goodwill in the amount of £345 million recorded on its balance sheet under "intangible assets" in accordance with UK GAAP, with goodwill related to the Resolution acquisition amounting to £388 million as of such date (compared to £401 million at the time of such acquisition). Goodwill arising on acquisitions, being the difference between the fair value of the purchase

consideration and the fair value of the net assets acquired, is capitalized in the balance sheet and, under Pearl Group's existing UK GAAP accounting policies, is amortized over its useful economic life or 20 years if shorter.

Negative goodwill up to the fair value of non-monetary assets acquired is recognized in the Pearl Group's consolidated profit and loss account in the periods in which the non-monetary assets are recovered. Any negative goodwill in excess of the fair value of the non-monetary assets acquired is recognized in the consolidated profit and loss account in the periods expected to be benefited.

Under UK GAAP, the carrying value of goodwill is reviewed for impairment at the end of the first full year following an acquisition and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The treatment of goodwill is different under UK GAAP than under IFRS. Under IFRS, goodwill is not subject to amortization but is assessed for impairment at least annually.

Present Value of Acquired In-Force Business

As of December 31, 2008, the Pearl Group had £843 million recorded on its balance sheet in relation to the PVIF in accordance with UK GAAP. The PVIF is recognized in the balance sheet as an asset and represents the present value of the long-term business that has been acquired and is calculated using projected cash flows from the business, discounted using an appropriate discount rate. To the extent that the acquired PVIF is expected to be recognized as profit over the remaining lifetime of the underlying insurance policies, it is amortized on a systematic basis, and the discount unwound, over the anticipated lives of the related insurance contracts of the in-force portfolios. The carrying value of the acquired in-force business is tested annually for indicators of impairment. Any amortization or impairment charge is recorded as other charges in the non-technical account in the profit and loss account. The principal assumptions used to calculate PVIF are the same as those used in calculating long-term business provisions. As of December 31, 2008, an impairment charge of £206 million was incurred by Pearl Group due to the impact of market conditions.

Deferred Tax

As of December 31, 2008, the Pearl Group had net deferred tax assets of £221 million recorded on its balance sheet. Under UK GAAP, the Pearl Group recognizes deferred tax assets and liabilities on a discounted basis to reflect the time value of money. The discount rate is selected to reflect the yield on government bonds that have a maturity date similar to the likely average period for assets upon which deferred tax liabilities and assets arise. Deferred tax is recognized 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 recognized 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 recognized in the consolidated profit and loss account.

The treatment of deferred tax is different under UK GAAP than under IFRS. Under IFRS, deferred tax liabilities may not be discounted to their present-day values. In addition, under IFRS deferred tax is recognized on the basis of taxable temporary differences (subject to certain exceptions), which generally represents the difference between the carrying value of an asset or liability and the amount used for taxation purposes (a balance sheet approach). Under UK GAAP, deferred tax is recognized on timing differences that arise from the inclusion of gains and losses in the tax assessments in periods different to those in which they are recognized in the financial statements (an income approach). In effect, IFRS results in a proportion of deferred tax being recognized directly in equity on certain items that would not have given rise to deferred tax under UK GAAP.

Employee Benefits

The Pearl Group provides employees with retirement benefits through both defined benefit and defined contribution plans. The assets of these plans are generally held separately from the group's general assets in

trustee-administered funds and are valued at fair value, although in the case of the Pearl Group Pension Scheme, the asset management function has been taken over by the Pearl Group's internal investment management company Axial. Defined benefit obligations and the cost of providing such benefits are determined annually by qualified actuaries using the projected unit-credit method, which method measures obligations 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 or deficit (the ratio of defined benefit assets to liabilities) is recognized in the consolidated balance sheet. As of December 31, 2008, the Pearl Group recognized:

- a net deficit measured under the FRS 17 *Retirement Benefits* basis of £141 million, with £102 million, net of deferred tax of £39 million, recognized in the Pearl Group's balance sheet in respect of the Pearl Group Pension Scheme; and
- a net surplus measured under the FRS 17 basis of £277 million in respect of the PGL Staff Pension Scheme, of which amount £71 million is considered to be recoverable and therefore, net of deferred tax of £20 million, £51 million has been recognized as an asset in the Pearl Group's balance sheet.

The Pearl Group'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 recognized in full in the period in which they occur in the consolidated statement of total recognized gains and losses. Contributions to the defined contribution scheme are charged to the consolidated profit and loss account as they become payable in accordance with the rules of the scheme.

With respect to its defined benefit pension plans, the Pearl Group is subject to a number of inherent risks that impact the value of pension liabilities, including interest rate risk, market fluctuations and demographic changes. For example, poor investment performance or increased inflation rates could have a material adverse effect on the funding position of these schemes. This is because a defined benefit pension scheme is effectively a "balance of costs" arrangement in which the funding risk sits with the scheme's sponsoring employer (i.e., the Pearl Group). The defined benefit pension schemes are required by law to undertake a triennial valuation which sets out the ratio of assets to liabilities within each scheme. In the event that the liabilities of the Pearl Group's defined benefit pension schemes, which are long-term in nature, exceed the schemes' assets, then the Pearl Group may be required or choose to make additional contributions to the schemes. Given the current economic and financial market difficulties and the prospects for these conditions to continue over the near and medium term, the Pearl Group may be required or elect to make further contributions to the pension schemes and these contributions could be significant. See "Agreements Related to the Acquisition — Pearl Group Pension Scheme Agreements."

Components of Revenues and Expenses

In accordance with UK GAAP, the Pearl Group as a life insurer splits its profit and loss account between the long-term business technical account and the non-technical account. IFRS does not have any concept for the separate presentation of technical and non-technical accounts.

Long-Term Business Technical Account

The technical account records those revenues and expenses of transactions that are related to the Pearl Group's insurance activities, such as transactions with policyholders and reinsurers, and other related activities, including corporate activities. The following items are reported in the technical account:

- revenues in the form of premiums and investment returns;
- costs, including claims, changes in the provisions for long-term claims; and
- expenses relating to long-term business.

The insurance result, which is referred to as the balance on the long-term business technical account, is the profit on insurance activities that is attributable to holding company shareholders of the Pearl Group life companies.

In common with other U.K. long-term insurance companies, the Pearl Group life companies' policies are structured as either with-profits policies or non-profit policies, including annuities in payment and unit-linked policies. Depending upon the relevant policies' structure, the level of shareholders' interest in the value of policies and the related profit or loss varies. With-profits policies are supported by a with-profits fund. The return to shareholders on virtually all with-profits policies is in the form of a statutory transfer to the relevant life company's shareholder funds, which is similar in nature to a dividend from the relevant life company's long-term fund. The return to shareholders from with-profits funds is dependent upon the level of bonuses credited to or declared on policies in the year. With-profits policyholders generally receive 90% of the distribution from the with-profits fund in the form of bonuses, which are added to their policies. The shareholders receive the remaining 10% as a statutory transfer.

Prior to the declaration of bonuses, shareholders' share of profits on with-profits funds are held in the fund for future appropriations (the **"FFA"**). The FFA comprises the shareholders' share of the inherited estate of the Pearl Group's closed participating businesses and other shareholder items only.

Since shareholders' participation in with-profit funds is generally limited to 10% of the total profit, the shareholders' return on long-term business is relatively insensitive to large, short-term changes in unrealized gains and losses on investments and changes in insurance revenues, as profits emerge on the basis of smoothed returns as bonuses are declared. Although the items accounted for in the technical account such as premiums, claims and investment returns are high in value, the amounts that are attributable to shareholders are relatively small and therefore the large revenue and expense items in the technical account are less relevant in understanding the results attributable to shareholders.

The long-term business technical account also includes a deduction for tax on long-term business. Tax on long-term insurance business differs substantially from tax derived from other sources and is calculated on amounts included in regulatory returns rather than on an accounting basis. Significant differences may exist between the regulatory and accounting bases.

Non-Technical Account

The non-technical account relates to the Pearl Group's non-insurance activities and comprises the long-term business results that are attributable to shareholders, investment return and expenses that do not relate to the long-term business and other income and expenses.

Taxation in the non-technical account relates to tax related to the long-term business result and the non-technical profit. Tax relating to non-technical income is computed in a manner similar to non-insurance corporate profits, meaning that any trading profit arising outside the long-term business and investment income is reduced by allowable management expenses and interest payable.

Earned Premium, Net of Reinsurance (in the Technical Account)

Earned premium, net of reinsurance, comprises premiums earned less the reinsurance premium expenses.

Contracts under which the Pearl Group accepts significant insurance risk are classified as insurance contracts. Contracts under which the transfer of insurance risk to the Pearl Group from the policyholder is not significant are classified as investment contracts.

The Pearl Group earns premiums on insurance contracts and investment contracts with discretionary participation features and annuity considerations. Premiums are recognized when they become due, which is the date from which the policy related to the contract becomes effective (for single premium contracts) or the date when payments are due (for regular premium contracts).

Reinsurance premiums are charged when they are payable.

Other Technical Income (in the Technical Account)

Revenue from investment contracts comprises amounts assessed against policyholders' account balances for policy administration and surrender charges. These are presented as other technical income and are recognized as the related services are provided.

Investment Income and Unrealized Losses on Investments (in the Technical and Non-Technical Accounts)

Dividends earned on investments are included as investment income on the date that the right to receive payment has been established.

Rental income on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

Both realized and unrealized gains and losses on financial assets designated as at fair value through profit or loss are recognized in the profit and loss account.

Unrealized gains and losses on available for sale assets are recognized in the consolidated statement of total recognized gains and losses. Realized gains on available for sale assets and losses are transferred to the consolidated profit and loss account.

Realized gains and losses on disposals of investments are calculated as the difference between the net sales proceeds and original cost. Unrealized gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their original cost, or if they have been previously revalued, the valuation at the last balance sheet date. The movement in unrealized gains and losses recognized in the period also includes the reversal of unrealized gains and losses recognized in earlier accounting periods in respect of disposals in the current period.

Claims and Changes in Technical Provisions (in the Technical Account)

The Pearl Group establishes provisions for the estimated cost of claims, taking into account handling costs, anticipated inflation and settlement trends. This provision is the long-term business provision (for insurance contracts and investment contracts with discretionary participation features such as with-profits policies) or the technical provision for linked liabilities (for investment contracts without discretionary participation features such as unit-linked policies). Any difference between an estimated provision and a subsequent provision is recognized in the profit and loss account.

Claims payable on maturity of insurance contracts and investment contracts with discretionary participation features are recognized when the claim becomes due for payment or on death and are accounted for on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within the long-term business provision. Where claims are payable and the contract remains in force, the claim installment is accounted for when due for payment. Claims payable include the costs of settlement.

The technical provision in respect of unit-linked business is determined by reference to the value of the underlying assets that are held to meet these liabilities. Where the surrender value of such contracts exceeds the value determined by reference to underlying assets, the difference is recognized as part of the long-term business provision.

Net Operating Expenses (in the Technical Account)

Expenses such as staff costs and overhead are recognized over the period in which they are incurred. As the Pearl Group does not write any new business (other than increments to existing policies), it does not incur any customer acquisition costs or origination costs. However, the Pearl Group's expenses include the amortization of deferred acquisition costs and origination costs which arose when the Pearl Group was writing new business.

Results of Operations

The following discussion of the Pearl Group's results of operations is aimed at identifying historical material developments that have affected the group's results during the years under review.

The following table provides an overview of the Pearl Group's consolidated profit for the years indicated, together with the year-to-year changes:

	Year Ended December 31,			Movement	
	2008	2007[1]	2006	2008 vs. 2007	2007 vs. 2006
	(In millions)				
Long-term business technical account:					
Earned premiums net of reinsurance	£ 1,254	£(3,367)	£ 521	—	(746)%
Investment and other technical income	3,236	1,384	2,059	134%	(33)%
Total technical income	4,490	(1,983)	2,580		(177)%
Claims incurred net of reinsurance	(5,228)	(1,876)	(2,398)	179%	(22)%
Change in technical provisions net of reinsurance	6,691	4,539	1,047	47%	334%
Net operating expenses	(372)	(105)	(134)	254%	(22)%
Investment expenses and charges	(1,469)	(215)	(69)	583%	212%
Unrealized losses on investments	(4,339)	(259)	(762)	1575%	(66)%
Other technical charges	(150)	(102)	(65)	47%	57%
Taxation credit/(charge) attributable to the long-term business	114	40	(16)	185%	(350)%
Transfer from/(to) the fund for future appropriations	347	44	(68)	689%	(165)%
Balance on the long-term business technical account	£ 84	£ 83	£ 115	1%	(28)%
Non-technical account:					
Balance on the long-term business technical account	£ 84	£ 83	£ 115	1%	(28)%
Taxation attributable	16	36	50	(56)%	(28)%
Shareholders' pre-tax profit from long-term business	100	119	165	(16)%	(28)%
Net investment and other income	(875)	57	15	—	280%
(Loss)/Profit on ordinary activities before exceptional items and taxation	(775)	176	180	(540)%	(2)%
Negative goodwill on Acquisition of subsidiary undertakings	—	—	11	—	—
Profit on disposals	—	—	109	—	—
(Loss)/Profit on ordinary activities before taxation	(775)	176	300	(540)%	(41)%
Taxation (charge)/credit on profit on ordinary activities	34	(35)	(60)	—	(42)%
(Loss)/Profit on ordinary activities after taxation	£ (741)	£ 141	£ 240	(626)%	(41)%
Minority interest	131	—	—	—	—
(Loss)/Profit on ordinary activities attributable to shareholders	£ (610)	£ 141	£ 240	(533)%	(41)%

(1) The Pearl Group has restated its consolidated financial statements as of and for the year ended December 31, 2007 to account for the cash collateral and value of related assets and liabilities in connection with the securities-lending and related cash-collateral reinvestment activities of the with-profits funds of Pearl Assurance and London Life that were entered into in 2006 in the same manner in which these items were accounted for in the Pearl Group's consolidated financial statements as of and for the year ended December 31, 2008. These items were not originally reflected in the Pearl Group's consolidated financial statements as of and for the year ended December 31, 2007. In addition, following a review of

the terms of Pearl's £289 million upper tier 2 subordinated loan agreement, the Pearl Group's consolidated balance as of December 31, 2007 has been restated to recognize this subordinated loan, which had been previously recognized as a debenture loan, as equity. In connection with this restatement, the Pearl Group's profit and loss reserves as of January 1, 2007 have been restated to recognize an additional £17 million of profit, reflecting the reversal of the accrued interest on the subordinated loan, and the Pearl Group's non-technical profit and loss account for the year ended December 31, 2007 has been restated to recognize an additional profit of £35 million, reflecting interest paid in 2007 being transferred directly to the profit and loss reserves.

December 31, 2008 Compared to December 31, 2007

The Pearl Group generated a loss before exceptional items and taxation of £775 million for 2008 compared to a profit of £176 million for 2007. The loss in 2008 comprised:

- a shareholders' pre-tax profit of £100 million from long-term funds, largely reflecting the emergence of recurring margins on the run-off of business, partially offset by strains from investment movements in the period from falls in equity and property prices and the widening of credit spreads; and
- a loss of £875 million on the Pearl Group's shareholder assets, largely reflecting a number of losses, including £136 million of debt issuance costs and a £206 million impairment charge in relation to the PVIF assets associated with the acquisition of Resolution; interest payable by Pearl Group members on loans issued by Pearl and Impala; recurring strains in the amount of £13 million and £53 million for the amortization of acquisition-related intangible assets and PVIF, respectively; and losses of £208 million from write-downs of contingent loans and internal capital support to the long-term funds as a result of strains from investment movements in 2008.

Earned premiums net of reinsurance were £1,254 million in 2008 compared to a charge of £3,367 million in 2007. The charge in 2007 was primarily the result of a large reinsurance premium in respect of the entry into a reinsurance treaty with Opal Re to reinsure pension annuity- in-payment liabilities of Pearl Assurance, NPI and London Life.

The Pearl Group's gross premiums written increased to £1,330 million in 2008 from £491 million in 2007 primarily as a result of the Resolution acquisition.

Investment income and other technical income increased to a total of £3,236 million in 2008 from £1,384 million in 2007 primarily as a result of increase in the size of the Pearl Group's asset base as a result of the Resolution acquisition.

Although there were significant gross movements in claims incurred and technical provisions in 2008 compared to 2007, the net movement in the balance on the technical account remained relatively small due to a number of largely offsetting items. The change in provision for linked liabilities, which forms part of the overall change in technical provisions, was a credit of £2,665 million in 2008 compared to a charge of £264 million in 2007. This change primarily reflected the Resolution acquisition as well as general investment market conditions during the latter half of 2008, which resulted in a decrease in liabilities to policyholders. The reduction in policyholder liabilities resulted in a positive movement in the technical account in 2008. The impact of the positive movements were offset by an increase in unrealized losses on investments to £4,339 million in 2008 from £259 million in 2007 due to continued widening of credit spreads and declining equity and property markets.

The balance on the long-term business technical account remained relatively unchanged at £84 million in 2008 compared to £83 million in 2007, largely due to the effects of the Resolution acquisition offsetting the effects of volatile market movements on the long-term business account.

Much of the volatility in 2008 was smoothed by the transfer of £347 million from the FFA compared to a transfer of £44 million in 2007. The FFA comprises the shareholders future share of with-profit bonuses (plus associated tax balances), meaning that when transfers out of this fund are made, the amounts to be received by shareholders in the future decrease accordingly. The 2008 transfer from the FFA largely reflects the decline in

overall performance of the relevant long-term funds in 2008, in particular in respect of unrealized investment losses.

The movement to a loss on ordinary activities attributable to shareholders of £610 million in 2008 from a profit of £141 million in 2007 was driven primarily by charges to the non-technical account, including:

- amortization of £54 million and an impairment charge of £206 million in 2008 in relation to the acquired in-force business of Resolution, reflecting the write-down of the acquired in-force intangible asset to its value in use as of December 31, 2008;
- non-technical account unrealized losses on investments increasing to £417 million in 2008 from £nil in 2007, largely due to write-downs totaling £208 million in shareholder contingent loans and internal capital support assets provided to long-term funds;
- an increase in interest expense to £204 million in 2008 from £51 million in 2007 as a result of the increased debt funding in the Pearl Group related to the Resolution acquisition; and
- expensing of the costs in the amount of £136 million associated with the acquisition financing of the Resolution acquisition.

The Pearl Group's consolidated net assets were £547 million as of December 31, 2008 compared to £1,477 million as of December 31, 2007. The decrease reflects the total recognized losses in 2008 of £710 million together with the payment of dividends, interest on subordinated loans treated as equity and group equity share of Impala charges direct to equity of £101 million, £35 million and £84 million, respectively.

December 31, 2007 Compared to December 31, 2006

The Pearl Group generated a profit before exceptional items and taxation of £176 million in 2007 compared to £180 million in 2006. The decrease in 2007 primarily reflects the following developments during the year:

- Credit spreads widened and the commercial property market weakened, which contributed to the decrease in investment and other income from the Pearl Group life companies' long-term funds to £1,384 million in 2007 from £2,059 million in 2006. The decrease in 2007 was partially offset by lower unrealized losses and an unrealized gain arising on the Pearl Group's then 26% equity investment in Resolution plc.
- During 2007, the Pearl Group life companies entered into reassurance arrangements with Opal Re. The impact of these reinsurance arrangements recorded in the 2007 results was a large increase in outwards reinsurance premiums, which was mostly offset by the change in reinsurers' share of technical provision as the Pearl Group was no longer required to provide for the risks ceded to Opal Re. No profit or loss arose at inception of this reinsurance transaction, and the Pearl Group's consolidated result for the year did not accrue any significant profits or losses from these reinsured policies in 2007.

The Pearl Group had no non-operating exceptional items in 2007, compared to £120 million of non-operating exceptional profit in 2006, which mainly arose from business process outsourcing to Diligenta and the transfer of Pearl Assurance plc's general insurance policies' renewal rights to Lloyds TSB.

The Pearl Group's consolidated net assets as of December 31, 2007 were £1,477 million compared to £1,108 million in 2006. The £369 million increase in 2007 reflects:

- the net profit in that year of £141 million;
- prior-year adjustment of £306 million made in 2007 to include (i) the financial effect and subsequent investment of collateral received by the Pearl Group in connection with its securities-lending and derivatives activities and (ii) the recognition into equity of a £289 million subordinated loan previously recognized as a debenture loan.
- dividend payments of £33 million;

- £35 million of interest payments on subordinated debt; and
- other recognized gains of £10 million.

Liquidity and Capital Resources

Overview

Pearl's principal cash requirements are the payment of dividends to shareholders, the servicing of its debt, the payment of group expenses and funding for acquisitions.

Pearl's principal sources of cash are loans and shareholder dividends from its life companies. The life companies are subject to various regulatory restrictions on the maximum amount of payments, including dividends, loans or cash advances, that they may make to their shareholders. The amount of cash that Pearl may distribute to shareholders depends on the life companies' solvency position. Cash may be distributed only to the extent that the individual solvency positions of the life companies are positive and there is excess capital over and above an additional solvency buffer determined by the respective life company boards, and subject to any regulatory limitations imposed, such as the OIVOP. For information about the OIVOP, see "Risk Factors — Risks Related to the Pearl Group's Business — The FSA has imposed an OIVOP notice on the Pearl Group." In addition, the Pearl Group is required to ensure that it holds sufficient capital on a consolidated basis to enable it to meet the group's IGD solvency test. For information about the individual solvency requirements of each of the life companies, see "— Regulatory Capital Position." Following the consummation of the Acquisition, additional capital will be available to the Pearl Group totaling at least £450 million. This will provide additional financial flexibility to the Pearl Group both in respect of increased capital resources and liquidity. For information about the Pearl Group's IGD position, see "— Pro Forma Regulatory Capital Position."

The Pearl Group life companies' principal sources of liquidity are policyholder premiums, net investment income received and proceeds from investments as they are repaid, redeemed or sold. The life companies' principal uses of these liquidity sources are the payment of policyholder benefits (including withdrawals and surrender payments), operating expenses and purchases of investments.

Dividend Payments

Pearl declared dividends of £152 million in respect of 2008. With Pearl's direct shareholder HIOL waiving its £51 million dividend entitlements in 2008, Pearl paid dividends of £101 million in 2008. Pearl Group paid dividends of £33 million in respect of 2007 and £199 million in respect of 2006.

Cash Loans and Dividends Extracted from Life Companies

The following table sets forth the amounts extracted from the Pearl Group's life companies in the form of cash loans and dividends for the years ended December 31, 2006, 2007 and 2008:

	Year Ended December, 31		
	2008	2007	2006
	(In millions)		
Pearl life companies			
Cash dividends			
Pearl Assurance[1]	£ 100	£ 85	£204
NPI[1]	27	1	5
Total cash dividends	127	86	209
Cash loans			
Pearl Assurance[1]	320	—	—
London Life[1]	—	50	—
NPI[1]	50	36	80
Total cash loans	370	86	80
Total cash from Pearl life companies	**£ 497**	**£172**	**£289**
Impala life companies			
Cash loans			
Phoenix Life Limited	80	—	—
Phoenix and London Assurance[2]	25	—	—
Phoenix Pensions[2]	60	—	—
Scottish Mutual Assurance[2]	196	—	—
Scottish Provident Limited[2]	181	—	—
SMI[2]	32	—	—
Total cash loans	574	—	—
Total cash from Impala life companies	**£ 574**	**—**	**—**
Total cash distributed from Pearl and Impala Life company distributed	**£1,071**	**£172**	**£289**

(1) Cash extracted from Pearl Assurance, London Life and NPI in 2006 and 2007 was released in line with the operating plan and planned capital release schedule. The majority of the excess cash extracted from the Pearl life companies in 2008 was used in funding the acquisition of Resolution.

(2) As the Impala life companies were not controlled by the Pearl Group in 2006 and 2007, cash extracted from the Impala life companies in these years has not been included for those years.

Regulatory Capital Position

The following tables set forth the Pearl Group's capital position statement as of December 31, 2008:

	With-Profits								
	Pearl	Phoenix Life: Phoenix With-Profits	Phoenix Life: Britanic With-Profits	Scottish Mutual Assurance	Scottish Provident	Other	Non Partici-pating	Life Business Share-holder funds	Total Life Business
					(In millions)				
Shareholder funds outside long-term fund	£ —	£ —	£ —	£ —	£ —	£ —	£ —	£ 3,780	£ 3,780
Shareholder funds held in long-term fund	(1)	—	—	—	—	28	1,220	—	1,247
Total shareholder funds	(1)	—	—	—	—	28	1,220	3,780	5,027
Adjustments onto a regulatory basis									
Fund for future appropriations	208	72	137	18	32	22	—	—	489
Adjustment to assets	(16)	(4)	(9)	—	(1)	(12)	(628)	(2,348)	(3,018)
Adjustment to liabilities	419	542	237	311	535	167	(34)	113	2,290
Other adjustments	—	—	—	—	—	—	(1)	—	(1)
Other qualifying capital:									
Subordinated debt	65	—	—	—	—	—	—	288	353
Contingent loans	—	—	—	—	—	2	21	—	23
Allocation of group capital	240	—	—	—	—	218	120	(578)	—
Total available capital resources	£915	£610	£365	£329	£566	£425	£ 698	£ 1,255	£ 5,163

	Total Life Business	Other Activities and Consolidation Adjustments	Group Total
		(In millions)	
Shareholder funds outside long-term fund	£ 3,780	£ (4,480)	£ (700)
Shareholder funds held in long-term fund	1,247	—	1,247
Total shareholder funds[1]	5,027	(4,480)	547
Fund for future appropriations	489	—	489
Adjustment to assets	(3,018)	2,160	(858)
Adjustment to liabilities	2,290	—	2,290
Other adjustments	(1)	913	912
Other qualifying capital:			
Subordinated debt	353	219	572
Contingent loans	23	(23)	—
Allocation of group capital	—	—	—
Total available capital resources	£ 5,163	£ (1,211)	£3,952
Capital requirement:			
U.K. realistic basis			2,956
Other regulatory bases			645
Excess capital over regulatory requirements and excess of available capital resources[2]			£ 351

(1) Also referred to as "net assets."

(2) Also referred to as "IGD solvency surplus."

With effect as of January 1, 2009, Part VII transfers of certain businesses within Scottish Provident and Scottish Mutual Assurance were made to Phoenix Life, resulting in the release of group capital in the amount

of £322 million, which increased the Pearl Group's IGD solvency surplus from £351 million to £673 million, as shown in the following table:

	(In millions)
Excess capital over regulatory requirements and excess of available capital resources as of December 31, 2008[1]	£351
75% share of Phoenix Life post-fund merger surplus transfer (75% of £370 million)[1]	278
75% share of Phoenix Life benefit from elimination of £64 million shareholder fund support required for long-term fund[1]	48
75% share of Scottish Provident Life shareholder fund post-fund merger capital resource requirement[1]	(2)
75% share of Scottish Mutual Assurance shareholder fund post-fund merger capital resource requirement[1]	(2)
Excess capital over regulatory requirements and excess of available capital resources as of January 1, 2009[2]	£673

(1) As Pearl currently owns 75% of its subsidiary Impala, it receives 75% of any increase in Impala's solvency position.

(2) Also referred to as "IGD solvency surplus."

For additional information about the basis for the preparation of the Pearl Group's regulatory capital statement, see Note 38.5 to the Pearl Group's consolidated financial statements as of and for the year ended December 31, 2008, included in this proxy and consent solicitation statement.

Pro Forma Regulatory Capital Position

In connection with the Acquisition, Liberty has agreed that it will provide not less than £450 million of additional capital to the Pearl Group. The Pearl Group's management anticipates that this will increase the IGD solvency surplus at the NewCo level by approximately £375 million, giving the Pearl Group an IGD solvency surplus of 130% of regulatory capital requirements.

Historical Borrowings

The primary sources of external borrowings for Pearl and its subsidiaries (other than Impala and its subsidiaries) have historically been SCIL and HIOL, both of which are direct shareholders of Pearl.

In connection with the Resolution acquisition in 2008, Sun Capital Investments No. 2 Limited and HI2L, both of which are direct shareholders of Impala, became the significant sources of external borrowings for Impala and its subsidiaries.

All of the foregoing direct shareholder lenders will become part of the Pearl Group upon consummation of the proposed Acquisition.

The shareholder lenders have borrowed externally from banks under the Pearl Acquisition Credit Facility and the Impala Acquisition Credit Facility:

- *The Pearl Acquisition Credit Facility.* This is a syndicated credit facility in the amount of £825 million, comprising a £412.5 million loan made available to Pearl's direct shareholder SCIL and a £412.5 million loan made available to Pearl's direct shareholder HIOL. This facility was provided in April 2005 as financing for Sun Capital and TDR Capital's acquisition of the closed life companies of HHG PLC, which became part of the then-newly formed Pearl; and
- *The Impala Acquisition Credit Facility.* This is a syndicated credit facility in the amount of £2,260 million made available to the Impala's direct shareholders, SC2L and HI2L. This facility was provided in May 2008 as financing for Impala's acquisition of Resolution. The tranches have termination dates five years, six years and seven years from the first utilization date.

The shareholder lenders have injected borrowings under their respective credit facilities to Pearl and Impala in the form of equity and subordinated loans.

Pearl currently has in issue to SCIL and HIOL, £596 million in the form of ordinary shares, £289 million in the form of subordinated loans which are treated as equity in the balance sheet of Pearl due to their equity like characteristics, and £171 million in the form of subordinated loans which are recognized as a liability by Pearl.

Impala currently has in issue to SC2L and HI2L, £1.6 billion in the form of ordinary shares and share premium. £663 million in the form of subordinated loans which are treated as equity in the balance sheet of Impala due to their equity like characteristics, and £335 million in the form of subordinated loans which are recognized as a liability by Impala.

The shareholder lenders are, in turn, dependent on dividends and loans received from Pearl and Impala to meet their own obligations to the Lenders under their respective credit facilities.

The shareholders of Pearl and Impala have granted charges over their assets, including their respective shareholdings in Pearl and Impala to secure their obligations under the credit facilities. In addition, Pearl has granted a charge over its shares in Impala to secure the liabilities of Impala's shareholders in respect of the Impala Acquisition Credit Facility.

The Pearl Acquisition Credit Facility and the Impala Acquisition Credit Facility will be restated and amended in connection with the proposed Acquisition. See "Agreements Related to the Acquisition — Credit Facilities."

The Pearl Group's borrowings were as follows as of the dates indicated:

	Carrying Value			Fair Value		
	As of December 31,			As of December 31,		
	2008	2007	2006	2008	2007	2006
	(In millions)					
Debentures						
***Group company borrowings*[(1)]:**						
£171 million 12% subordinated loans[(2)]	£ 171	£171	£ 171	£ 151	£171	£171
£335 million 12% subordinated loans[(3)]	335	—	—	335	—	—
Unsecured loan notes[(4)]	28	—	—	28	—	—
Life company borrowings:						
Limited recourse bonds 2012 7.39%[(5)]	54	70	81	60	70	84
Limited recourse bonds 2022 7.59%[(5)]	119	118	118	146	121	126
£31.8 million loan[(6)]	—	32	32	—	32	32
£200m 7.25% unsecured subordinated loans[(7)]	153	—	—	108	—	—
£835 million loan[(8)]	835	—	—	708	—	—
£15 million loan[(9)]	15	—	—	9	—	—
Total debenture loans	1,710	391	402	1,545	394	413
Refinancing loan[(10)]	277	328	291[(1)]	277	328	291
Total borrowings	£1,987	£719	£ 693	£1,822	£722	£704

(1) Reflects borrowings of Pearl and Impala.

(2) Pearl issued subordinated loan notes of £85.5 million each to SCIL and HIOL at par on April 13, 2005 at an interest rate of 12% per annum. The loan notes mature on April 13, 2015. The borrower may elect to defer the payment of interest under the facility.

(3) Impala issued subordinated loan notes of £167.5 million each to SC2L and HI2L at par on November 20, 2008 at an interest rate of LIBOR plus 11% per annum. The loan notes mature on November 30, 2018. The borrower may elect to defer the payment of interest under the facility.

(4) Unsecured loan notes of £72 million were issued by Impala at par on May 14, 2008 at an interest rate of LIBOR minus 1% per annum with a final maturity date of 2012. On December 31, Impala repaid £44 million of these outstanding loan notes.

(5) In 1998, NPI raised £260 million of capital through the securitization of embedded value on a block of existing unit-linked and unitized with-profit life and pension policies. On demutualization of NPI, these securities were transferred to National Provident Life. The bonds are split between two classes, which rank pari passu. The £140 million 7.39169% class A1 limited recourse bonds have an average life of two years maturing in 2012 and the £120 million 7.5873% limited recourse bonds have an average life of nine years maturing in 2022. The bonds are repaid out of margins emerging from the securitized block of business and from a collateral fund.

(6) The £31.8 million loan was due to Henderson Finance, a subsidiary undertaking of Henderson Group plc. The loan was repaid on April 12, 2008.

(7) Scottish Mutual Assurance issued £200 million 7.25% undated, unsecured subordinated loan notes on July 23, 2001. The earliest repayment date of the notes is March 25, 2021 and, if not repaid then, on each subsequent fifth anniversary, thereafter as long as the notes are outstanding.

(8) Axial Fixed Income Opportunities S.a.r.l issued A loans in the amount of €459,886,325, £167,881,573, and US$317,906,102. These loans accrue interest at LIBOR plus 100 basis points and mature in May 2016.

(9) Axial Fixed Income Opportunities S.a.r.l issued B loans in the amount of €9,397,311, £3,015,429 and US$4,476,558. These loans accrue a fixed interest rate of 0.1% plus a variable profit-related element of and mature in May 2016.

(10) The refinancing loan from Abbey National plc relates to the sale by National Provident Life and NPI of extra-income plan policies that Abbey National plc finances to the value of the associated property reversions. As part of this arrangement, Abbey National plc receives the movement in the Halifax House Price Index, and National Provident Life and NPI have undertaken to indemnify Abbey National plc against any profits or losses arising from mortality or surrender experience that differs from the basis used to calculate the reversion amount. Repayment will be on a policy-by-policy basis and is expected to occur over the next ten to 20 years.

Pearl and Impala have additional subordinated borrowings in the amount of £289 million and £663 million, respectively, that are not included in the table above as these borrowings are treated as equity. In addition, Pearl Group Holdings (No. 1) Limited, a wholly-owned intermediate holding company of Impala, has issued £500 million of perpetual reset capital securities that are accounted for as equity in the consolidated financial statements and, therefore, are not included in the table above. The subordinated borrowings and perpetual reset capital securities do not carry a fixed repayment date and Pearl, Impala and Pearl Group Holdings (No. 1) Limited may, at their respective sole discretion, elect to defer interest payments on these borrowings and securities.

Sources of Liquidity

The Pearl Group expects that cash in hand, cash flows from operating activities and net returns on investments will satisfy its liquidity needs over the next twelve months. The Pearl Group expects to meet its long-term liquidity requirements, including the repayment of its debt obligations, through shareholder distributions from life companies and other operating income.

With the exception of acquisitions of closed life funds and companies, the Pearl Group does not have material capital expenditures. The amount of net cash used in investing activities on a year-to-year basis may be significantly affected by the purchase of an Acquisition asset, thereby giving rise to a potentially volatile year-to-year net cash usage.

Opal Re

In 2007, the Pearl Group reinsured the immediate annuity liabilities of Pearl Assurance, NPI and London Life with Opal Re, in line with the group's risk and capital management objectives at the time. Opal Re is a Bermudian reinsurance company that is currently outside the Pearl Group but connected to the group by virtue of common shareholders. In connection with the proposed Acquisition, Opal Re will become a wholly-owned subsidiary of Liberty.

As of December 31, 2008, the Pearl Group had reinsured approximately £3.5 billion of annuity liabilities with Opal Re. In connection with these reinsurance arrangements:

- the Pearl Group retains the assets backing the reinsured liabilities as collateral for Opal Re's obligations; and
- Opal Re is required to meet an asset coverage test requiring that its assets do not fall below 102% of the total amount of reinsured liabilities. If this test is not met, Opal Re is required to transfer additional funds into the Pearl Group's collateral accounts.

In 2008, Opal Re suffered a £65 million loss, reflecting the combined effect on assets and liabilities of unprecedented market turbulence, which was characterized by significant changes to the term profile of interest rates, material falls in market values of assets, reduced liquidity and significantly higher corporate bond yields, partially offset by a positive experience variance in relation to longevity risk.

As a result of this £65 million loss, Opal Re had negative retained earnings of £57 million and positive net assets of £13 million as of December 31, 2008, making Opal Re unable to meet its asset coverage test.

The Pearl Group has since responded to the difficulties facing Opal Re by implementing a number of measures aimed at protecting policyholders and ensuring that Opal Re continues to be able to meet its payment obligations under its reinsurance arrangements as they fall due, including an undertaking by Pearl to provide capital support of up to £41 million to its subsidiaries in respect of their exposure to Opal Re and the Pearl Group's establishment of additional reserves of £114 million to address its counterparty exposure to Opal Re.

For additional financial information about Opal Re, see Opal Re's financial statements as of and for the year ended December 31, 2008, included elsewhere in this proxy and consent solicitation document.

Deposits Received From Reinsurers

The Pearl Group's practice is to obtain collateral from reinsurers to cover certain reinsurance transactions, usually in the form of cash or marketable securities. Certain such cash collateral is available to the Pearl Group for investment purposes and is therefore recognized under "Deposits received from reinsurers" on the Pearl Group's consolidated balance sheet. The total collateral recognized under deposits received from reinsurers amounted to £3,890 million and £3,647 million as of December 31, 2008 and 2007, respectively. Other reinsurance collateral is held on behalf of the Pearl Group and is not recognized on the Pearl Group's consolidated balance sheet, as the Pearl Group is not permitted to sell or re-pledge the collateral in the absence of a default.

The Pearl Group's largest reinsurance exposure is to Opal Re and the reinsurance asset recoverable amount was £3.5 billion and £3.6 billion as of December 31, 2008 and 2007, respectively. Under the terms of the reassurance arrangements with Opal Re, Pearl Assurance, NPI and London Life hold assets in collateral accounts over which Opal Re has a fixed charge.

Securities Lending

The Pearl Group has entered into securities-lending agreements (including repurchase agreements) whereby the group lends blocks of securities to third parties. Cash collateral is required under the agreements to exceed the fair value of the loaned securities. The Pearl Group had lent securities under securities-lending agreements in the amount of £3.5 billion, and £3.0 billion as of December 31, 2008 and 2007, respectively,

and had recognized on its balance sheet collateral under such agreements of £3.7 billion and £3.2 billion, respectively.

Derivatives

The Pearl Group purchases derivative financial instruments in connection with the management of its insurance contract and investment contract liabilities and records the value of these assets under "other financial investments" in its consolidated balance sheet. The fair values of the Pearl Group's derivative financial instruments were as follows as of December 31, 2008:

	As of December 31, 2008	
	Derivative Assets	Derivative Liabilities
	(In millions)	
Options on interest rate swaps	£ 667	£ —
Forward currency	136	406
Credit default swaps	141	15
Interest rate swaps	2,219	2,201
Swaptions	653	—
Inflation swaps	108	485
Total return bond swaps	19	3
Equity options	17	17
Stock index futures	391	421
Other	13	7
	£4,364	£3,555

Where the Pearl Group has entered into collateral arrangements to provide security against the maturity proceeds of derivative financial instruments, which include a legal right of set-off and it is intended that settlement will be made on a net basis, the value of the derivatives and the related collateral are presented on the Pearl Group's consolidated balance sheet on a net basis under "Other creditors including taxation and social security," with the amount for collateral creditors recorded under this line item being £95 million as of December 31, 2008. For all such arrangements, interest is payable on the amounts owed basis on the Sterling Overnight Index Average. Certain cash collateral is available to the Pearl Group for investment purposes and is therefore recognized as a financial asset and as a liability, recorded under "Obligations for repayment of collateral received." The amount of collateral recognized as a financial asset amounted to £916 million and £332 million as of December 31, 2008 and 2007, respectively, and the amount recognized as "Obligations for repayment of collateral received" was £914 million and £332 million, respectively.

Where collateral has been pledged by the Pearl Group and the right of set-off is only enforceable on the occurrence of a particular future event, the pledged asset continues to be recognized by the Pearl Group on its consolidated balance sheet. On the same basis, the Pearl Group does not recognize collateral pledged by counterparties.

Contractual Obligations

The following table provides a maturity analysis of the Pearl Group's undiscounted financial liabilities and associated interests as of December 31, 2008 as presented in accordance with the requirements of UK GAAP:

	As of December 31, 2008				
	1 Year or Less or on Demand	1 to 5 Years	More Than 5 Years	No Fixed Term	Total
			(In millions)		
Debenture loans	£ 158	£ 534	£ 1,951	—	£ 2,643
Derivative liabilities	875	448	4,594	—	5,917
Net assets attributable to unit holders	2,334	—	—	—	2,334
Investment contracts with DPF	10,819	—	—	—	10,819
Non-linked investment contracts without DPF	248	—	—	—	248
Deposits received from reinsurers	26	100	356	3,502	3,984
Other creditors, including tax and social security	609	288	20	—	917
Creditors arising out of reinsurance operations	21	1	1	—	23
Creditors arising out of direct insurance operations	48	—	—	—	48
Amounts owed to credit institutions	—	—	—	277	277
Obligations for repayment of collateral received	3,100	667	—	914	4,681
Total	£18,238	£2,038	£ 6,922	£4,693	£31,891

The tables above do not reflect Pearl Assurance's capital commitments to subscribe to private equity funds and other unlisted assets.

The following table provides a reconciliation of the amounts stated in the table above to the amounts stated in the Pearl Group's consolidated balance sheet:

	As of December 31, 2008
	(In millions)
Total undiscounted financial liabilities and associated interest as set forth in table above	£31,891
Adjustment for changing valuation of liabilities from an undiscounted valuation to a discounted valuation and for the exclusion of future interest payments	(3,355)
Equivalent liabilities as set forth on the balance sheet	28,536
Other liabilities and reserves included in balance sheet	
Long-term business provision for insurance contracts	£38,809
Claims outstanding	659
Technical provisions to linked liabilities	10,633
Fund for future appropriations	580
Other provisions	139
Accruals and deferred income	231
Pension scheme	102
Capital and reserves	547
Minority interests	2,893
Total liabilities and capital and reserves as set forth in balance sheet	£83,129

Off-Balance Sheet Arrangements

The Pearl Group is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Qualitative and Quantitative Disclosures About Market Risk

For qualitative and quantitative information about the Pearl Group's exposure to market risk, see Note 38 to the Pearl Group's consolidated financial statements as of and for the year ended December 31, 2008, included in this proxy and consent solicitation statement.

Summary of Significant Differences Between UK GAAP and IFRS

The Pearl Group's consolidated financial statements included in this proxy and consent solicitation statement have been prepared in accordance with UK GAAP. While recently issued FRSs under UK GAAP have replicated the wording of corresponding IFRS statements, certain differences remain between UK GAAP and IFRS. The transition to IFRS would likely change the presentation and disclosures within the Pearl Group's consolidated financial statements, and the significant differences in valuing amounts in these financial statements would likely include the following:

Topic	UK GAAP	IFRS
Goodwill	• Goodwill (both positive and negative) is amortized through the profit and loss account over its useful economic life, usually a period not exceeding 20 years (a rebuttable presumption), and is reviewed for impairment if indicators of impairment are identified.	• After the date of transition to IFRS, positive goodwill is not amortized. Instead, all positive goodwill is reviewed annually for impairment. Except in cases where an entity applies IFRS to business combinations that occurred prior to the date of transition to IFRS, all pre-existing goodwill is frozen at its carrying value at the date of transition to IFRS. In addition, an impairment test must be carried out on any goodwill at this date. • After transition to IFRS, the goodwill balance will be reduced only if an impairment charge is recognized or the related business is disposed of. • Negative goodwill is credited immediately to profit and loss.

Topic	UK GAAP	IFRS
Intangible assets	• Under UK GAAP, intangibles can only be recognized in a business combination if they can be disposed of separately without disposing of the business and are controlled through custody or legal rights. • Intangibles are amortized through the profit and loss account over their useful economic life, usually a period not exceeding 20 years (a rebuttable presumption), and are reviewed for impairment if indicators of impairment are identified.	• IFRS has a wider definition of intangible assets which includes, for example, customer relationships that would not be recognized in a business combination under UK GAAP. Therefore, more intangible assets are usually created in a business combination under IFRS than under UK GAAP. • Intangibles are amortised through the profit and loss account over their useful economic life. This can be indefinite (i.e., there is no 20-year rebuttable presumption), in which case they are subject to a mandatory annual impairment test.
Income and deferred tax	• Deferred taxation is provided on a "timing difference" basis, which means that differences are recognized between the balance sheet value of an asset or liability and its tax base only where that difference has impacted profit and loss. • Deferred tax balances may be discounted.	• Deferred tax is provided on a "temporary difference" basis, which means that differences are recognized between the balance sheet value of an asset or liability and its tax basis, regardless of whether those differences have impacted profit or loss. In particular, deferred tax is recognized on asset revaluations that do not affect profit or loss, including those that are made in a business combination. • Discounting is not permitted for deferred taxation.

Topic	UK GAAP	IFRS
Defined benefit pension schemes	• Under FRS 17, all actuarial gains and losses on defined benefit plans must be taken direct to the statement of total recognized gains and losses. • Deferred tax is deducted from the respective retirement benefit asset or liability.	• Under IAS 19, entities have the option of applying a corridor approach (under which actuarial gains or losses are only recognized if they are in excess of this corridor) or some other method (under which a greater proportion of actuarial gains/losses are recognized). If all actuarial gains or losses are recognized in accordance with FRS 17, then these are recognized in other comprehensive income. • Deferred taxation on defined benefit pensions is shown with the deferred tax balance and not netted off against the pension scheme asset or liability. • IAS 19 has a different definition of "plan assets" than FRS 17, which may result in some defined benefit assets (e.g., insurance policies with group companies) not being recognized. • IAS 19 also deals with a broader range of issues and requires similar accounting for long-term employee benefits as are applied to defined benefit pension schemes.
Owner-occupied properties	• Under UK GAAP, these are usually held at fair value with unrealised gains taken to profit or loss.	• Under IAS 16, these can be measured either at cost or at fair value with unrealised gains taken to other comprehensive income.
Profit and loss account presentation	• Under UK GAAP, life insurers present two profit and loss accounts, a technical account and a non-technical account.	• Only one profit and loss account is presented under IFRS and therefore transactions between the technical and non-technical accounts under UK GAAP are eliminated on consolidation.

This above list is not intended to be an exhaustive list but only an illustration of areas of potential significant divergence between UK GAAP and IFRS.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Liberty is not yet in a position to provide pro forma information relating to the accounting treatment of the proposed Acquisition, as the underlying data needed to provide such analysis is not yet available and will likely not be available prior to the extraordinary general meeting. Certain of such data cannot be estimated until after the consummation of the proposed Acquisition. In addition, as noted herein, after consummation of the proposed Acquisition, Liberty as the new holding company of the Pearl Group will continue to report under IFRS, not under UK GAAP.

Accordingly, shareholders should not assume that the historical UK GAAP financial results of the Pearl Group will be reflective of the future financial results of the post-acquisition consolidated company under IFRS. Such future reported results on a post-acquisition basis will reflect adjustments relating to purchase price accounting for the proposed Acquisition.

The pro forma financial information set forth below has been prepared by management of the Pearl Group for illustrative purposes and is not intended to represent the combined financial position or combined results of operations in future periods.

The pro forma financial information and accompanying notes below should be read in conjunction with the following information appearing elsewhere in this proxy and consent solicitation statement:

- the Pearl Group historical consolidated financial statements as of and for the year ended December 31, 2008 and the notes thereto;
- the Liberty historical financial statements as of and for the year ended December 31, 2008 and the notes thereto;
- "Discussion of the Pearl Group's Unaudited Embedded Value Calculation;"
- "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Pearl Group;" and
- "Liberty Management's Discussion and Analysis of Financial Condition and Results of Operations."

None of the pro forma financial information below reflects the financial position or results of operations of Liberty.

A. Pearl Group Unaudited Pro Forma Combined Profit and Loss Information in Accordance With UK GAAP

The unaudited pro forma combined profit and loss account for the Pearl Group for the year ended December 31, 2008 in accordance with UK GAAP set forth below gives effect to the acquisition of Resolution as if this acquisition (including the transfer of the On-Sold Resolution Assets to Royal London) had been completed as of January 1, 2008. This adjustment is referred to below as the "Resolution adjustment."

Unaudited Pearl Group Combined Pro Forma Profit and Loss Account for the Year Ended December 31, 2008 in Accordance With UK GAAP:	Year Ended December 31, 2008		
	Pearl Group Audited Consolidated Profit and Loss Account	Resolution Adjustment (Unaudited)	Pearl Group Pro Forma Unaudited Combined Profit and Loss Account
		(In millions)	
Technical account — long-term business			
Gross premiums written	£ 1,330	£ 349	£ 1,679
Outward reinsurance premiums	(76)	(837)	(913)
Earned premiums, net of reinsurance	1,254	(488)	766
Investment income	2,763	1,216	3,979
Other technical income	473	56	529
Total technical income	4,490	784	5,274
Gross claims paid	(5,680)	(1,893)	(7,573)
Reinsurers' share	421	95	516
Net claims paid	(5,259)	(1,798)	(7,057)
Change in the gross and net provision for claims	31	18	49
Claims incurred, net of reinsurance	(5,228)	(1,780)	(7,008)
Change in gross long-term business provision:			
Change in insurance contracts	1,754	2,299	4,053
Change in investment contracts with discretionary participation features	2,453	290	2,743
Change in reinsurers' share	(179)	(99)	(278)
Change in long-term business provision	4,028	2,490	6,518
Change in technical provisions for linked liabilities, net of reinsurance	2,665	477	3,142
Change in other technical provisions	(2)	—	(2)
Change in technical provisions, net of reinsurance	6,691	2,967	9,658
Net operating expenses	(372)	(122)	(494)
Investment expenses and charges	(1,469)	(59)	(1,528)
Unrealized gains/(losses) on investments	(4,339)	(1,863)	(6,202)
Other technical charges	(150)	44	(106)
Taxation (credit)/charge attributable to the long-term business	114	1	115
Transfer to/(from) the fund for future appropriations	347	76	423
Balance on the technical account — long-term business	84	48	132
Non-technical account			
Balance on the long-term business technical account	84	48	132
Taxation attributable to balance on long-term business technical account	16	19	35
Shareholders' pre-tax profit from long-term business	100	67	167
Investment income	169	32	201
Unrealized gains/(losses) on investments	(417)	(26)	(443)
Investment expenses and charges	(211)	(55)	(266)
Other income	142	14	156
Other charges	(558)	(41)	(599)
Profit/(loss) on ordinary activities before taxation	(775)	(9)[1]	(784)
Taxation charge on profit on ordinary activities	34	7	41
Loss on ordinary activities after taxation	£ (741)	£ (2)	£ (743)

(1) This loss on ordinary activities before taxation of £9 million is comprised of the following:

- UK GAAP loss before tax of £21 million incurred by Resolution (excluding the transfer of the On-Sold Resolution Assets to Royal London) for the period from January 1, 2008 to April 30, 2008 (the "**pre-acquisition period**") as set out in Note 39 to the Pearl Group's financial statements as of and for the year ended December 31, 2008.
- Elimination of £43 million of acquisition related-expenses incurred by Resolution in the pre-acquisition period that, if the acquisition of Resolution had occurred on January 1, 2008, would have been recognized by Resolution in the year ended December 31, 2007.
- Recognition of £31 million of additional interest expense on the Lower Tier 2 Subordinated Loans issued by Sun Capital Investments No. 2 Limited and Hera Investments No. 2 Limited to Impala to finance the acquisition of Resolution that would have been incurred by Impala in the pre-acquisition period had the acquisition of Resolution occurred on January 1, 2008.

B. Unaudited Pro Forma Embedded Value

B.1. Unaudited Pro Forma Combined Net Embedded Value of the Pearl Group and the Pearl and Impala Parent Companies as of December 31, 2008

The table below sets forth the unaudited pro forma combined net embedded value as of December 31, 2008 of the Pearl Group calculated in accordance with the principles set forth in "Discussion of the Pearl Group's Unaudited Embedded Value Calculation," adjusted to include the contributions of:

- the Pearl and Impala parent companies, including SCIL, HIOL, SC2L, HI2L, MC1, MC2, TC1 and TC2; and
- the 49.3% interest in Axial that Pearl currently does not own.

The table below does not reflect any contribution from the acquisition of Opal Re, as the net assets of Opal Re are currently accounted for under IFRS and not under UK GAAP. As of December 31, 2008, the regulatory return of Opal Re reported net assets prepared under IFRS of £13 million. For further financial information of Opal Re, see the regulatory return of Opal Re and notes thereto included in this proxy and consent solicitation statement.

Unaudited Pro Forma Combined Net Embedded Value of the Pearl Group and the Pearl and Impala Parent Companies:	**Notes**	**As of December 31, 2008**
		(In millions)
Unaudited historical embedded value of the Pearl Group as of December 31, 2008	1	£ 4,749
Original bank facilities	2	(3,085)
Royal London PIK note	3	(332)
Net assets of other Acquired Companies (excluding Opal Re)	4	(67)
Unaudited pro forma combined net embedded value of the Pearl Group and the Pearl and Impala Parent Companies as of December 31, 2008		£ 1,265

Notes:

(1) As set out in "Discussion of the Pearl Group's Unaudited Embedded Value Calculation — Embedded Value Results."

(2) Reflects bank facilities at their pre-Acquisition face value as of December 31, 2008 and comprises £825 million in respect of the Pearl Acquisition Credit Facility and £2,260 million in respect of the Impala Acquisition Credit Facility.

(3) Reflects the Royal London PIK note at its pre-Acquisition nominal value of £309 million plus accrued interest of £23 million as of December 31, 2008.

(4) Reflects the net assets as of December 31, 2008 of subsidiaries and other entities affiliated to the Pearl Group that will be acquired by Liberty in connection with the Acquisition, including (i) SCIL, HIOL, SC2L, HI2L, MC1, MC2, TC1 and TC2 and (ii) the 49.3% minority interest of Axial. The net assets

comprise accrued interest of £40 million, a liability of £33 million in respect of a swap position held by HIOL and SCIL, and other net assets of £6 million.

B.2. Impact of the Acquisition on the Unaudited Pro Forma Combined Embedded Value of the Pearl Group and the Pearl and Impala Parent Companies

The consummation of the Acquisition will have a material impact on the unaudited pro forma combined embedded value of the Pearl Group and the Pearl and Impala parent companies as of December 31, 2008 as set forth in the table under item B.1. above. This impact will include, but is not limited to:

- pursuant to the Acquisition, Liberty will acquire £325 million of the debt outstanding under the existing Pearl Credit Facility from the Pearl Lenders. This will have the result of increasing the unaudited pro forma combined embedded value by £325 million;
- pursuant to the Acquisition, Liberty will acquire £232 million of the existing PIK notes from Royal London. This will have the result of increasing the unaudited pro forma combined embedded value by £232 million;
- pursuant to the Acquisition, the cash balance within Liberty as of the date of the Acquisition will increase the unaudited pro forma combined embedded value. The amount of cash within Liberty as of the date of the Acquisition will be affected by the uptake of the existing Liberty ordinary shareholders to their existing redemption rights, offset by amounts paid to Liberty pursuant to the terms of the Contingent Subscription Agreement. As of December 31, 2008, Liberty had cash in the Trust Account of €603.3 million, or £583 million converted at the exchange rate of £0.9670/€1.000 for December 31, 2008 or £514 million converted at the exchange rate of £0.8518/€1.000 for June 30, 2009. It is anticipated that the maximum net cash outflow from Liberty that would arise following the exercise by shareholders of their redemption rights offset by the purchase of shares pursuant to the Contingent Subscription Agreement is approximately £65 million;
- unwinding of discount, experience variances and basis changes arising in the period from January 1, 2009 up to the date of Acquisition;
- restructuring- and transaction-related expenses incurred by the Pearl Group and Liberty estimated to be approximately £70 million;
- the impact of bringing Opal Re into the combined group upon consummation of the Acquisition; and
- measurement differences arising on converting the net worth of the Pearl Group and the other Acquired Companies from UK GAAP to IFRS and to the accounting policies of Liberty.

INFORMATION ABOUT LIBERTY

General

Liberty is a blank check company incorporated under the Companies Law on January 2, 2008, as an exempted company with limited liability. Liberty was formed to acquire one or more operating businesses with principal business operations outside North America through a merger, capital stock exchange, share purchase, asset acquisition, reorganization or similar transaction. Our efforts in identifying prospective target businesses are not limited to a particular industry.

As of the date hereof, Liberty's founders collectively own 15,000,000 ordinary shares and 15,000,000 warrants to purchase one ordinary share at €7.00. The shares and warrants of Liberty comprised the Founders' Units which were issued in a private placement in connection with Liberty's initial public offering at a subscription price of €0.00124 per unit. Liberty also issued 8,000,000 Sponsors' Warrants at a purchase price of €1.00 per warrant to certain of our Founders in a private placement for aggregate proceeds of €8.0 million, which amount was placed into the Trust Account.

On February 13, 2008, we consummated our initial public offering of 60,000,000 units at an offering price of €10.00 per unit. After payment of underwriters' discounts and commissions of €18.7 million, net proceeds of €589.2 million (including approximately €9.0 million of deferred underwriting fees) were deposited into the Trust Account. Such aggregate proceeds will be part of the funds distributed to Liberty's public shareholders in the event it is unable to complete an initial business combination. The remaining proceeds of €100,000 were retained by Liberty for business, legal and accounting due diligence on prospective transactions and continuing general and administrative expenses.

Employees

Our board of directors has five members and we have three officers. The directors and officers are not obligated to contribute any specific number of hours per week to us and devote only as much time as they deem necessary to manage our affairs. The amount of time they devote in any time period varies based on the availability of suitable target businesses to investigate. We do not have any employees. None of our directors or officers have service contracts with us providing for benefits upon termination of employment.

Properties

We currently maintain our executive offices at Bison Court, Road Town, Tortola, British Virgin Islands, VG1110. The cost of this space is included in the €10,000 per-month fee that Berggruen Holdings Ltd. charges us for office space, administrative services and secretarial support. Prior to the consummation of our initial public offering, Berggruen Holdings Ltd. provided us with office space, administrative services and technical support at no charge. We believe, based on rents and fees for similar services in the British Virgin Islands, that the fee charged by Berggruen Holdings Ltd. is at least as favorable as we could have obtained from an unaffiliated person. We consider our current office space adequate for our current operations.

Legal Proceedings

To the knowledge of management, there is no litigation currently pending or contemplated against us or any of our directors or officers in their capacity as such.

SELECTED HISTORICAL FINANCIAL INFORMATION OF LIBERTY

The selected historical financial information of Liberty as of December 31, 2008 was derived from the audited financial statements of Liberty as of such date included in this proxy and consent solicitation statement. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of Liberty" and the financial statements of Liberty and notes thereto included in this proxy and consent solicitation statement. Since Liberty has not had any significant operations to date, only balance sheet data is presented.

Balance Sheet Data:	As of December 31, 2008 (In thousands)
Working capital	€608,513
Total assets	€608,523
Total liabilities[(1)]	€190,001
Ordinary shares subject to redemption[(2)]	€180,991
Shareholders' equity	€418,522

(1) Includes a liability of €181.0 million representing the amount recognized if 29.99% of our Public Shares are redeemed by our public shareholders voting against the Acquisition and the deferred underwriter's fee of €9,000,000 payable upon the consummation of the Acquisition.

(2) Represents the amount recognized if 29.99% of our Public Shares are redeemed by our public shareholders voting against the Acquisition.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LIBERTY

Overview

We are a company incorporated on January 2, 2008 under the laws of the Cayman Islands as an exempted company with limited liability. We were formed to acquire one or more operating businesses with principal business operations outside North America through a merger, capital stock exchange, share purchase, asset acquisition, reorganization or similar transaction, which we believe has significant growth potential. We consummated our initial public offering on February 13, 2008.

We have neither engaged in any operations nor generated any revenues from operations to date. Our entire activity since inception has been to prepare for and consummate our initial public offering and to identify and investigate targets for a business combination. We generate non-operating income in the form of interest income on cash and cash equivalents.

Our profit for the period from January 2, 2008 (inception) to December 31, 2008, was approximately €13.0 million, which consisted of approximately €20.2 million in interest income, partially offset by administrative expenses of approximately €2.9 million (which included a non-cash share-based payment charge of approximately €2.2 million) and interest expense of approximately €4.2 million related to ordinary shares subject to possible redemption. Our shareholders' equity was €418.5 million on December 31, 2008.

Business Combination with the Pearl Group and Opal Re

Liberty has agreed to acquire all of the outstanding equity interests in each of Pearl and Opal Re from the Sellers and the Selling Shareholders pursuant to the terms and conditions of the Purchase Agreements, which are described in this proxy and consent solicitation statement.

Liquidity and Capital Resources

The net proceeds from (1) the sale of 60,000,000 units in our initial public offering, after deducting approximately €27.7 million (including approximately €9.0 million of deferred underwriting fees), and (2) the sale of 8,000,000 warrants to our Sponsors for a purchase price of €8.0 million, was approximately

€580.3 million. All of these net proceeds were placed in trust, except for €100,000 that was available for working capital.

Subject to our shareholders' approval of the Proposals described in this proxy and consent solicitation statement and the approval of the Warrant Amendment, the funds remaining in the Trust Account after we redeem the ordinary shares of any holders of Public Shares who properly exercise their redemption rights will be released to us to be used for the payment of the deferred underwriting discounts and commissions from our initial public offering and of expenses associated with its operations and the Acquisition, with the balance to be provided to the Pearl Group for working capital purposes, in the form of intercompany loans.

At December 31, 2008, we had cash outside the Trust Account of approximately €2.4 million, cash held in the Trust Account of approximately €606.0 million (which includes €2.7 million cash in transit from the Trust Account to our working capital account), prepaid expenses of €34,919, and total liabilities of approximately €190.0 million (which includes €181.0 million of ordinary shares that are subject to possible redemption, and €9.0 million of deferred underwriting discounts). We believe that the funds available to us outside of the Trust Account will be sufficient to allow us to operate until February 13, 2010, assuming that an initial transaction is not consummated during that time. Of the funds held outside the Trust Account, we anticipate using these funds to cover the due diligence and investigation of a target business or businesses; legal accounting and other expenses associated with structuring, negotiating and documenting an initial business combination; and office space, administrative services and secretarial support prior to consummating a business combination.

On April 16, 2008, May 29, 2008 and January 14, 2009, at our instruction, the trustee transferred €750,000, €2.5 million and €2.75 million, respectively, of interest earned on the Trust Account into our operating cash account to fund working capital. We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business.

Any interest income not used to fund our working capital requirements or repay advances from our Founders or for due diligence or legal, accounting and non-due diligence expenses will be usable by us to pay other expenses. We will have sufficient funds in the Trust Account to pay the redemption price for the redemption election shares, even if we must redeem 29.99% of the ordinary shares issued in our initial public offering.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of a financial instrument. These changes may be the result of various factors, including interest rates, foreign exchange rates, commodity prices and/or equity prices. €589.2 million of the net proceeds from our initial public offering (which includes €9.0 million of deferred underwriting fees) has been placed into a Trust Account at Goldman Sachs International with Continental Stock Transfer & Trust Company acting as trustee. The proceeds held in trust are invested in diversified, short term euro-denominated obligations and instruments consisting of one or more of the following: (i) government securities issued by certain member countries of the European Union; (ii) interest-bearing cash demand accounts held in European banks deemed to pose minimal credit risk; and (iii) euro-denominated funds operating under policies comparable to U.S. dollar-denominated money market funds that are governed by Rule 2a-7 of the U.S. Investment Company Act. Thus, we are subject to market risk primarily through the effect of changes in interest rates on such securities. The effect of other changes, such as foreign exchange rates, commodity prices and/or equity prices, does not pose significant market risk to us.

We have not engaged in any hedging activities since our inception. We do not expect to engage in any hedging activities with respect to the market risk to which we are exposed prior to the Acquisition.

Dissolution and Liquidation if No Business Combination.

Pursuant to the terms of our articles of association, if we do not complete a business combination by February 13, 2010, we will liquidate and dissolve and as promptly as practicable distribute all funds from the

Trust Account only to our public shareholders in accordance with the applicable provisions of our M&AA and the Companies Law. If we are unable to complete an initial business combination by such date, we will distribute to all of our public shareholders, in proportion to their respective equity interests, an aggregate sum equal to the amount in the Trust Account, inclusive of any interest, plus any remaining net assets (subject to our obligations under Cayman Islands law to provide for claims of creditors). Pursuant to the terms of our articles of association, in the event of the failure to complete a business combination by February 13, 2010 deadline, our activities will be limited to liquidating and winding up our affairs. Pursuant to the investment management trust agreement governing such funds, the funds held in the Trust Account may not be released (other than in connection with the funding of working capital, a redemption of shares, a business combination or as described elsewhere in this proxy and consent solicitation statement) unless in accordance with the liquidation provisions, as applicable under Cayman Islands law. Consequently, other than in connection with the funding of working capital and other expenses, a redemption of shares or a business combination, funds in the Trust Account will not be available for any other corporate purpose. Each of Messrs. Berggruen and Franklin has agreed that, if we dissolve prior to the consummation of a business combination, he will be personally liable to ensure that the proceeds in the Trust Account are not reduced by such liabilities and obligations.

PRICE RANGE OF LIBERTY SECURITIES

Our equity securities trade on Euronext. Our units were initially admitted for trading on Euronext on February 6, 2008, under the symbol LIACU. Each of our units consisted of one ordinary share and one warrant. The shares and warrants that comprised the units began to trade separately on March 14, 2008, under the symbols LIACS and LIACW, respectively. As of that date, the units ceased to exist as a separate security and were no longer listed.

The following table sets forth the high and low sales price of our units, ordinary shares and warrants as reported on Euronext since Liberty's initial public offering on February 6, 2008. Prior to February 6, 2008, there was no established public trading market for our securities.

	Price Range of Units		Price Range of Ordinary Shares		Price Range of Warrants	
Period	**High**	**Low**	**High**	**Low**	**High**	**Low**
2008						
Quarter ending March 31 (from February 6, 2008)	€10.01	€9.94	€ 9.00	€8.90	€0.65	€0.55
Quarter ending June 30	—	—	€ 9.40	€8.90	€0.70	€0.50
Quarter ending September 30	—	—	€ 9.35	€8.50	€0.70	€0.50
Quarter ending December 31	—	—	€ 9.00	€8.00	€0.25	€0.15
2009						
Quarter ending March 31	—	—	€ 9.75	€8.00	€0.19	€0.26
Quarter ending June 30	—	—	€10.39	€8.10	€1.00	€0.15

Holders of our Securities

On the date hereof, there were six holders of record of our shares and warrants. Such number does not include beneficial owners holding shares or warrants through nominee names.

Dividends

We have not paid any dividends on our ordinary shares to date and we do not intend to pay cash dividends prior to the consummation of the Acquisition. After we complete the Acquisition, the payment of dividends will depend on our revenues and earnings, if any, capital requirements and general financial condition. The payment of dividends after the Acquisition will be within the discretion of our then-board of directors.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Liberty

On January 9, 2008, Berggruen Acquisition Holdings II Ltd., which is controlled by Mr. Berggruen, purchased 9,934,505 Founders' Units (including 1,110,690 escrowed Founders' Units subject to automatic redemption as described below) for an aggregate purchase price of €12,341, and Marlin Equities IV, LLC, which is controlled by Mr. Franklin, purchased 9,934,505 Founders' Units (including 1,110,690 escrowed Founders' Units subject to automatic redemption as described below) for an aggregate purchase price of €12,341. In addition, on the same date, each of our independent directors purchased 85,330 Founders' Units (including 9,540 escrowed Founders' Units subject to automatic redemption as described below) for a purchase price of €106. The Founders' Units were identical to those sold in our initial public offering, except that:

- each of our Founders agreed to vote their shares underlying the Founders' Units in the same manner as a majority of the public shareholders who vote at the general meeting called for the purpose of approving our initial business combination;
- each of our Founders agreed that it will not participate in any liquidating distribution if we cannot complete a business combination;
- the warrants underlying such units will become exercisable after our consummation of a business combination if and when the last sales price of our shares exceeds €13.75 per share (€16.00 per share after giving effect to the Warrant Amendment described elsewhere in this proxy and consent solicitation statement) for any 20 trading days within a 30-trading-day period beginning 90 days after such business combination;
- each of our Founders agreed that the units, the shares underlying the units and the warrants underlying the units (including the shares to be issued upon exercise of the warrants) will be subject to certain transfer restrictions until one year after the consummation of a business combination (which restriction has been waived in connection with the Acquisition);
- the Insider Warrants underlying such units are non-redeemable for so long as they are held by our Founders or their permitted transferees; and
- the Insider Warrants underlying such units may be exercised by the holder on a cashless basis.

In connection with the purchase of the Founders' Units described above, our Founders agreed to place an aggregate of 2,625,000 Founders' Units in escrow with an escrow agent until the earlier of the time that the over-allotment option issued to the managers in connection with our initial public offering was exercised in full or expired. If the managers exercised their over-allotment option in full, all 2,625,000 of the escrowed Founders' Units would have been released to our Founders upon the closing of the over-allotment option exercise. If the managers exercised their over-allotment option in part, a *pro rata* amount of these escrowed Founders' Units would have been released to our Founders upon the closing of the over-allotment option exercise such that the number of Founders' Units they held would be equal to 20% of the total number of units outstanding after the initial public offering, and the remainder of the escrowed Founders' Units would have been automatically redeemed and returned to us. On February 5, 2008, in connection with the reduction of the contemplated size of our initial public offering, we repurchased an aggregate of 2,875,000 units (including a *pro rata* amount of the escrowed Founders' Units described above) from our Founders (1,419,215 units from each of Berggruen Acquisition Holdings II Ltd. and Marlin Equities IV, LLC, and 12,190 units from each of our independent directors) at a repurchase price of €0.00124 per Founders' Unit. On March 11, 2008, the managers' over-allotment option expired unexercised and the remaining escrowed Founders' Units (after giving effect to the repurchases described above) were automatically redeemed by us. The managers of our initial public offering will receive a €9.0 million deferred underwriting fee payable upon the consummation of the Acquisition. In addition, based on publicly available information on May 22, 2008, Citi held Public Warrants to purchase 2,558,610 ordinary shares.

In connection with the purchase of the Founders' Units described above, each of our Founders also agreed, subject to certain exceptions described below, not to sell or otherwise transfer, directly or indirectly, any of its Founders' Shares or Founders' Warrants (including the shares to be issued upon exercise of the Founders' Warrants) until one year from the date of the consummation of a business combination. Citi, on behalf of itself and the other managers of our initial public offering, has agreed to release our Founders from these transfer restrictions such that all of the Founders' Shares and Founders' Warrants (including the shares to be issued upon exercise of the Founders' Warrants) will not be subject to any transfer restrictions (except as otherwise required by applicable law) immediately following the consummation of the Acquisition. In connection with the release by Citi of these transfer restrictions, the Remaining Warrants that are Insider Warrants will be amended to remove the transfer restrictions therein.

On June 27, 2009, our Sponsors entered into a new lock-up agreement with TDR Capital and Hugh Osmond under which the Sponsors may not sell any of their ordinary shares, warrants or Class B ordinary shares of Liberty for a period of one year following consummation of the Acquisition. However, each Sponsor may sell: (i) up to 50% of their securities with a value equal to the value of any tax payable by such Sponsor with respect to such securities, (ii) ordinary shares in order to assist in the funding of any required investments in Pearl Group and (iii) up to 10% of their ordinary shares in order to make charitable gifts. The lock-up may be waived with the consent of TDR Capital and Mr. Osmond and will terminate prior to the one-year period, as to Berggruen Acquisition Holdings II Ltd., upon the death of Mr. Berggruen, and as to Marlin Equities IV, LLC, upon the death of Mr. Franklin.

On January 11, 2008, Berggruen Acquisition Holdings II Ltd. agreed to invest €4.0 million in us in the form of Sponsors' Warrants to purchase 4,000,000 shares at a price of €1.00 per warrant. Berggruen Acquisition Holdings II Ltd. purchased such Sponsors' Warrants from us immediately prior to the consummation of our initial public offering on February 13, 2008.

On January 11, 2008, Berggruen Acquisition Holdings II Ltd. agreed to invest €25.0 million in us in the form of co-investment units at a price of €10.00 per unit immediately prior to the consummation of a business combination. We have agreed to waive the co-investment obligation in connection with the business combination so as to reduce dilution to Liberty following the Acquisition.

On January 11, 2008, Marlin Equities IV, LLC agreed to invest €4.0 million in us in the form of Sponsors' Warrants to purchase 4,000,000 shares at a price of €1.00 per warrant. Marlin Equities IV, LLC purchased such Sponsors' Warrants from us immediately prior to the consummation of our initial public offering on February 13, 2008.

On January 11, 2008, Marlin Equities IV, LLC agreed to invest €25.0 million in us in the form of co-investment units at a price of €10.00 per unit immediately prior to the consummation of a business combination. We have agreed to waive the co-investment obligation in connection with the business combination so as to reduce dilution to Liberty following the Acquisition.

On January 11, 2008, Mr. Naggar, one of our independent directors, agreed to invest €10.0 million in us in the form of co-investment units at a price of €10.00 per unit immediately prior to the consummation of a business combination. On October 29, 2008, Mr. Naggar resigned from our board of directors and entered into a letter agreement with us pursuant to which he advised us that he would not be able to satisfy the foregoing co-investment obligation and agreed to surrender and forfeit to us all of his ordinary shares and warrants. The cancellation of his warrants will be effective immediately prior to the Mandatory Redemption of the Warrants and a repurchase of his ordinary shares for €6.36 will be effective upon the consummation of the Acquisition.

On October 29, 2008, our board of directors appointed Ashley Silverton to fill the vacancy on the board following Mr. Naggar's resignation. In connection therewith, we agreed to pay Mr. Silverton a "success fee" in the amount of €636,000 upon the consummation of a business combination.

We have agreed to pay Berggruen Holdings Ltd., an affiliate of Mr. Berggruen, a total of €10,000 per month for certain operating services and support until the earlier of our consummation of a business combination or our liquidation. This arrangement was agreed to by Berggruen Holdings Ltd. for our benefit and is not intended to provide Berggruen Holdings Ltd. compensation in lieu of a management fee. We believe

that such fees are at least as favorable as we could have obtained from an unaffiliated third party. Prior to the consummation of our initial public offering, Berggruen Holdings Ltd. provided us with certain operating services and support at no charge.

We have and will continue to reimburse our directors for any reasonable out-of-pocket business expenses incurred by them in connection with certain activities on our behalf such as identifying and investigating possible target businesses and business combinations. Subject to availability of proceeds not placed in the Trust Account and interest income of up to an aggregate amount equal to 1% of the gross proceeds from our initial public offering on the balance in the Trust Account, there is no limit on the amount of out-of-pocket expenses that could be incurred. The amount was a result of a negotiation between us and our managers and was meant to help maximize the amount of money in the Trust Account that would be returned to the investors if we do not consummate a business combination within the permitted time. A committee of our independent directors must review and approve all expense reimbursements made to our officers and directors, and any expense reimbursements payable to independent directors are reviewed and approved by our board of directors. Our M&AA provide that our directors are reimbursed for the expenses incurred by them subject to approval by an independent committee of directors. To the extent such out-of-pocket expenses exceed the available proceeds not deposited in the Trust Account, such out-of-pocket expenses would not be reimbursed by us unless we consummate a business combination.

During the period while we are pursuing the acquisition of a target business, Mr. Berggruen has agreed to present to us business combination opportunities that fit within our criteria and guidelines, except in the case of a business combination opportunity that is competitive with one of the portfolio companies of Berggruen Holdings Ltd., in which case it would first be offered to such portfolio company.

Berggruen Holdings Ltd. has agreed to make five of its investment professionals available to us at no charge to actively source an acquisition for us. Each of these investment professionals has agreed that such individual will not present us with a potential business combination opportunity with a company (i) with which such individual has had any discussions, formal or otherwise, with respect to a business combination with another company prior to the consummation of our initial public offering or (ii) that is competitive with any portfolio company of Berggruen Holdings Ltd. until after such individual has presented the opportunity to such portfolio company and such portfolio company has determined not to proceed with that opportunity.

On October 6, 2008, we entered into a letter agreement with Tegris Advisors, LLC, pursuant to which Tegris Advisors agreed to act as our financial advisor for the purpose of advising us in evaluating business combination opportunities, assisting us in structuring and negotiating a business combination and providing such other investment banking and financial advisory services as we may mutually agree upon from time to time. Pursuant to the Letter Agreement, we agreed to (i) pay Tegris (a) a monthly retainer of $25,000 and (b) upon the consummation by us of a business combination, advisory fees which have been determined in good faith by Tegris and us in advance of the provision of any such services thereunder in connection with such business combination in accordance with market rates and (ii) reimburse Tegris for all of its reasonable expenses incurred in connection with the performance of its engagement thereunder. In the event that a business combination is not consummated and we receive a breakup fee and/or other expense reimbursement, we will pay Tegris a fee equal to 20% of such breakup fee. We have also agreed to indemnify Tegris and hold it harmless against any losses, claims, damages or liabilities arising in any manner out of or in connection with its rendering of serves thereunder. In connection with the Acquisition, we have agreed to pay Tegris advisory services in the amount of €4.5 million. Rene-Pierre Azria, the founder, President and Chief Executive Officer of Tegris, has agreed to join our board of directors immediately following the consummation of the Acquisition.

Tegris Advisors is also a party to a substantially similar letter agreement with Liberty Acquisition Holdings Corp., a special purpose acquisition company formed in the United States by affiliates of our Sponsors that is seeking a business combination in North America. Following the consummation of the Acquisition, Liberty Acquisition Holdings Corp. may seek one or more business combination either inside or outside of North America.

On June 27, 2009, we entered into a Contingent Subscription Agreement with our Sponsors. Pursuant to the Contingent Subscription Agreement, the Sponsors have agreed to purchase, immediately prior to the completion of the Acquisition, that number of our Class B ordinary shares with an aggregate purchase price equal to the difference between (i) £450 million and (ii) cash available to Liberty as of completion of the Acquisition (after taking into account all amounts payable by us in connection with the redemption rights). The price payable per share will be equal to the redemption price payable to holders of Public Shares who properly exercise their redemption rights (approximately €9.93 per share). The maximum aggregate purchase price to be paid by our Sponsors under the terms of the Contingent Subscription Agreement will be £75.0 million. No shares will be required to be purchased under the Contingent Subscription Agreement if Liberty has at least £450 million in available cash as of completion of the Acquisition or if the Acquisition is not completed for any other reason.

As a fee for our Sponsors agreeing to the purchase Class B ordinary shares under the Contingent Subscription Agreement, if the Acquisition is completed, we will be required to issue to our Sponsors, or such third party or parties as they may direct, an additional 1,000,000 Class B ordinary shares. We will only be required to issue these additional shares at, such time as the third tranche of ordinary shares become issuable under the Contingent Consideration Agreement. In addition, such shares will be subject to the adjustment provisions set forth in the Contingent Consideration Agreement. The shares will be issued to our Sponsors (or their third party designees) either *pro rata* to the number of Class B ordinary shares actually subscribed for by our Sponsors or, if the Sponsors are not required to subscribe for such Class B ordinary shares, then as otherwise agreed by our Sponsors (or their third party designees).

The Pearl Group

Related Party Agreements That Will Continue Following the Consummation of the Acquisition

Below is a description of existing related person agreements that will continue in force following the consummation of the Acquisition as well as of related person agreement that will be put in place upon the consummation of the Acquisition.

Drago Agreements

On October 4, 2006, Sun Capital, Pearl, Drago Real Estate Partners (**"Drago"**) and various other unrelated parties entered into a shareholders and subscription agreement pursuant to which the parties agreed to invest in a real estate fund for investment in residential real estate in Iberia. Sun Capital is also a shareholder in the management company for the real estate fund, Mare Nostrum Capital Managers Ltd. The relationship between the parties is governed by various shareholders' agreements and framework agreements that were amended and restated between October 2006 and July 2007. Pearl currently owns 24.9% of, and has €29.6 million invested in, the real estate fund, with a further undrawn capital commitment in the amount of €13.4 million.

Property Services Agreement

Upon the consummation of the Acquisition, Sun Capital Partners Limited (**"SCPL"**) and Axial are expected to enter into an agreement for SCPL's provision of property investment services to Axial in respect of property assets managed by Axial. Axial will be able to terminate the agreement with 30-days' prior notice. Axial is expected to pay SCPL a monthly fee of £100,000 plus VAT during the duration of the agreement.

Investments in VPS

Pearl is currently the majority shareholder in VPS Holdings Limited (**"VPS"**), a company held within the Pearl Group's private equity portfolio that is engaged in the protection and management of empty properties. TDR Capital is a minority shareholder with 266,332 ordinary shares of VPS and £3,430,696.88 loan notes due 2018 in VPS.

Pearl Investment in TDR Capital II 'C' L.P.

Pursuant to a partnership agreement relating to TDR Capital II 'C' L.P. from June 2006 among TDR Capital General Partner II L.P. and the limited partners in the partnership, Pearl Assurance has a commitment to the partnership on the same terms as other limited partners of the partnership. Pearl Assurance currently has €16.2 million invested in the partnership, with a further undrawn capital commitment in the amount €33.8 million.

Pearl Investment in Algeco Scotsman

Algeco Scotsman, a portfolio company of TDR Capital, is majority owned by TDR Capital and partially owned by Capital Management & Investment Plc, an entity listed on AIM that is connected to Sun Capital. A mezzanine loan agreement was entered into between Algeco Scotsman as borrower and Ristretto Group Sarl, Deutsche Bank AG and the Royal Bank of Scotland plc as lenders on October 6, 2007, as most recently amended and restated May 14, 2008. As part of the syndication process of the mezzanine loan, Pearl Assurance acquired €45 million of the loan from the syndicating banks.

Project Brick

Pursuant to a project acquisition facility entered into in November 2007, Pearl Assurance and TDR Capital invested in a sale and leaseback facility for Banco Santander's branch network in Spain. The lessor under the facility is majority owned by Sun Capital. Currently, Pearl Group companies have a 17.8% interest in the facility, with an aggregate investment of approximately €160 million in the facility. In addition, Drago holds a 6.6% interest in the facility.

The lessee under the acquisition facility is Samos Servicios y Gestiones, S.L. (**"Samos Servicios"**), which currently has €1.6 billion due to Sun Capital under the acquisition facility. A fee based on time spent providing services and capped at €375,000 per year is payable from Samos Servicios to Sun Capital. A similar fee of €375,000 per year is payable to Drago.

Pearl Assurance's investment in the facility is governed by an investors' agreement dated November 19, 2007 between, among others, Pearl Assurance, TDR Capital and a Drago entity.

Total Return Swap with Axial Credit Opportunities Holdings Limited

Total return swap relating to Algeco Scotsman. Pursuant to a total return swap confirmation dated December 19, 2008 and restated June 9, 2009, Axial Credit Opportunities Holdings Limited (**"ACOHL"**), a Pearl subsidiary, and TDR Capital entered into a total return swap relating to an Algeco Scotsman credit in the leveraged loan portfolio owned by Axial Fixed Income Opportunities Sarl.

Total return swap relating to Alliance Boots. Pursuant to a total return swap confirmation dated December 19, 2008 and restated June 9, 2009 between ACOHL and TDR Capital, ACOHL and TDR Capital entered into a total return swap relating to an Alliance Boots credit in the leveraged loan portfolio owned by Axial Fixed Income Opportunities Sarl.

Both the total return swaps will continue in force following consummation of the Acquisition.

Transitional Services Agreement

Upon consummation of the Acquisition, TDR Capital and Sun Capital are expected to enter into an agreement with Pearl Assurance for the provision of certain services, including investor relations, strategic advisory and transactional-support services, for a short period of time. Pearl Assurance will be able to terminate the agreement with one-month's prior notice. The agreement is expected to provide for a fee of £250,000 per month payable by Pearl Assurance to TDR Capital and Sun Capital.

Historical Related Party Agreements

For a information on the Pearl Group's historical related party transactions, see Note 36 to the Pearl Group's consolidated financial statements as of and for the year ended December 31, 2008 included elsewhere in this proxy and consent solicitation statement.

MANAGEMENT FOLLOWING THE ACQUISITION

"Pearl Group" Directors

Immediately following the consummation of the proposed Acquisition, the current board of directors of Liberty will resign and Liberty will be renamed "Pearl Group."

Our board of directors and executive officers following consummation of the Acquisition will be as follows:

Name	Age[(1)]	Position
Jonathan Evans	59	Chairman
Ian Ashken	48	Director
Ian Cormack	61	Director
David Barnes	54	Director
Rene Pierre Azria	52	Director
Hugh Osmond	47	Director
Manjit Dale	44	Director
Jonathan Moss	46	Chief Executive Officer
Simon Smith	44	Finance Director

(1) As of June 30, 2009.

Prior to the consummation of the Acquisition, or as soon as practicable thereafter, we intend to identify and appoint that number of additional directors as is necessary for us to have not less than half of the board of directors of Liberty comprising independent directors.

Jonathan Evans

Jonathan Evans has been chairman of the European Parliament's Delegation for relations with U.S. Congress since 2004. Mr. Evans served as Corporate Affairs Minister at the Department of Trade & Industry, with responsibility for competition policy, monopolies and mergers and the insurance industry under the last U.K. Conservative Government. He is a solicitor and was director of insurance with Eversheds in the City of London.

René-Pierre Azria

René-Pierre Azria serves as president and CEO of Tegris LLC, a private investment bank and has over 25 years of corporate finance experience, working generally on large size transactions with a high degree of complexity. His industry experience is concentrated in technology, media and telecommunications, and also includes healthcare and consumer goods. Prior to Tegris, Mr. Azria was from 1996 to 2007 a managing director at Rothschild, Inc. and a Rothschild worldwide partner. Prior to joining Rothschild, Inc. in 1996, Mr. Azria served as managing director of Blackstone Indosuez and president of Financiére Indosuez Inc. in New York. Mr. Azria also serves as a director of two privately held publishing companies.

Ian Ashken

Ian G.H. Ashken is vice chairman and chief financial officer of Jarden Corporation and until February 15, 2007 was also secretary of Jarden Corporation. Mr. Ashken was appointed to the board of directors of Jarden Corporation on June 25, 2001 and became its vice chairman, chief financial officer and secretary effective September 24, 2001. Mr. Ashken is also a principal and executive officer of a number of private investment entities. Mr. Ashken was the vice chairman of the board of directors of Bollé Inc. from December 1998 until February 2000. From February 1997 until his appointment as vice chairman, Mr. Ashken was the chief financial officer and a director of Bollé, Inc. Mr. Ashken previously held positions as chief financial officer and a director of Lumen Technologies, Inc. from May 1996 to December 1998 and Benson Eyecare Corporation from October 1992 to May 1996. Mr. Ashken also serves as a director of GLG Partners, Inc.

David Barnes

David Barnes joined the RBS Group (then Williams & Glyn's Bank) in 1973 and remained there in various roles until his early retirement in February 2009. His roles included Relationship Banker in the then newly established Corporate Division, managing director of the Financial Institutions Relationship Management team and member and subsequently chairman of RBS' Credit Committee. From 2005 he was responsible for all lending to financial institutions and for capital management for RBS' Financial Institutions Group.

Ian Cormack

Ian Cormack was a senior partner in Cormack Tansey Partners, a strategic consulting firm for financial institutions, from 2002 to 2005. Mr. Cormack was CEO of AIG Inc's insurance financial services and asset management divisions in Europe from 2000 to 2002 and was chairman of Citibank International plc and co-head of the Global Financial Institutions Client Group at Citigroup. He was also country head of Citicorp in the United Kingdom from 1992 to 1996. He now holds a number of non-executive positions with various companies (public and private) and charities in the United Kingdom and abroad.

Hugh Osmond

Hugh Osmond founded Punch Group and was its executive chairman between 1997 and 2001, during which time he built Punch Group into one of the United Kingdom's largest pub companies. He previously co-led the acquisition and market listing of PizzaExpress in 1993 and helped build it into the U.K.'s largest sit-down restaurant chain. Mr. Osmond was appointed to the board of directors of Pearl on December 3, 2004. He also serves on the board of Capital Management and Investments plc.

Manjit Dale

Manjit Dale is a founding partner of TDR Capital, a private equity firm established in 2002. TDR Capital manages over €2.5 billion of assets on behalf of a variety of institutional pension funds, university endowments and wealthy private individuals. Prior to founding TDR Capital, Mr. Dale was managing partner at Deutsche Bank Capital Partners Europe. He has served on the Boards of PizzaExpress and Center Parcs. Mr. Dale has over 20 years' experience in private equity, finance and consulting gained with BankersTrust, 3i plc, NM Rothschild and Andersen Consulting. Mr. Dale was appointed to the board of directors of Pearl on December 3, 2004.

Jonathan Moss

Jonathan Moss has been managing director of Pearl since 2006 and is currently its chief executive officer. He was previously financial director, and before that chief actuary of, AMP Life. Mr. Moss has also been appointed actuary of London Life and National Provident Life. He was appointed to the board of directors of Pearl on May 1, 2008.

Simon Smith

Simon Smith became finance director of the Pearl Group in 2006, having joined in 2005 upon its acquisition by Sun Capital and TDR. He is a chartered accountant with 18 years' experience in the fund management and life insurance sectors, specifically in tax management and structuring. Mr. Smith was appointed to the board of directors of Pearl on May 1, 2008.

Corporate Governance

We are committed to observing best corporate governance practice in all our proceedings.

Following the consummation of the Acquisition, our board of directors will have a formal schedule of matters detailing the decision areas that must be referred to the board. Non-executive directors will comprise a majority of the board (after an initial period during which further non-executive directors will be appointed) and each non-executive director will be appointed for a specified term.

Non-executive directors will have equal responsibility with other board members for our leadership. In particular, the role of non-executive directors will comprise:

- strategy: constructive challenge and provision of advice and guidance on the development of proposals on strategy;
- performance: scrutiny of the performance of the chief executive officer and other management in meeting agreed goals and objectives and monitoring the reporting of performance;
- risk satisfaction: ensuring the integrity of financial information and that financial controls and systems of risk management are robust and defensible and that the group complies with relevant regulatory and legal requirements; and
- people: determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and where necessary removing, executive directors and in succession planning.

In accordance with the Combined Code, there are separate roles for each of the chairman and the chief executive officer. There is also a clear division of responsibilities between the chairman and chief executive officer. This division of responsibility will be agreed by the board.

Committees of the Board of Directors

The board intends to establish an audit committee, a remuneration committee and a nominations committee with the functions described below.

Audit Committee

The audit committee will include at least three non-executive directors. The composition of the committee will be determined following the appointment of new non-executive directors. The committee will have responsibility for, among other things, planning and reviewing our annual report and accounts, half-yearly reports and supervising the auditors in this process. The audit committee will focus particularly on compliance with regulatory and legal requirements, accounting standards and the applicable listing rules and ensuring that an effective system of internal financial controls is maintained and recommends to the board the approval of our annual report and accounts and our half yearly report. The audit committee will also keep under review the overall relationship between us and our external auditors to ensure the maintenance of objectivity and independence.

Remuneration Committee

The remuneration committee will include three non-executive directors. The committee will be chaired by Ian Cormack and its other members will be determined following the appointment of our new non-executive directors. The remuneration committee will have responsibility for determining, within its agreed terms of reference, our policy on the compensation of senior executives and specific remuneration packages for each of the executive directors, including any pension rights, compensation payments, and the implementation of share schemes.

Nominations Committee

The nomination committee will comprise a majority of non-executive directors. It will be chaired by Jonathan Evans and its other members will be determined following the appointment of our new non-executive directors. The nomination committee will consider and make recommendations to the board on the appointment of new directors and on the composition of the board generally.

COMPENSATION DISCUSSION AND ANALYSIS

Existing Arrangements for Compensation

Liberty

Other than €10,000 in the aggregate paid to Mr. Silverton in connection with his services as an officer of ours, and the €636,000 fee that we agreed to pay Mr. Silverton upon the consummation of the Acquisition, no compensation of any kind, including finder's and consulting fees, has been or will be paid by us or our affiliates to Mr. Berggruen, our other officers, our directors, or any of their respective affiliates, for services rendered to us prior to or in connection with a business combination. However, these individuals will be reimbursed for any out-of-pocket expenses incurred in connection with activities on our behalf. We expect that at or prior to the closing of the Acquisition, the compensation to be paid to members of the board of directors of Liberty will be established and such compensation will be reasonable and customary for the industry. Other than the securities described above and in "Beneficial Ownership of Securities," none of our directors has received any of our equity securities.

In January 2008, each of our independent directors purchased Founders' Units for what was fair market value at the time. We do not consider the value of the ordinary shares and warrants underlying the Founders' Units to be compensation. Rather, we believe that because they own such ordinary shares and warrants, no compensation (other than reimbursement of out of pocket expenses) is necessary and such persons agreed to serve in such role without compensation.

Pearl

Pearl's compensation philosophy has been to create a system that rewards its executives, key personnel and all other employees for performance. The primary objectives of Pearl's compensation policy have been to:

- attract, motivate and retain talented and dedicated senior management and other key personnel;
- link annual compensation to both individual performance and Pearl's overall financial results.

To achieve these objectives, Pearl has compensated its senior management and other key personnel with a combination of fixed salary, annual bonus and deferred bonus. In addition, certain key management have been offered the opportunity to acquire shares in the Pearl Group. Pearl uses independent remuneration consultants to benchmark remuneration packages for senior management and other key personnel on an annual basis. This benchmarking allows Pearl to be confident it sets compensation at levels that are competitive against compensation offered by those against whom it competes for senior management and other key personnel.

Base salaries are generally based upon an individual's scope of responsibilities, level of experience, amounts paid to comparable individuals (both within and outside of Pearl) and length of service. Bonuses are generally based on individual performance in absolute and qualitative terms, as well as team performance and Pearl's overall performance. Annual bonuses are designed to reward high-performing key personnel and employees who drive Pearl's results. Deferred bonus arrangements build on this and provide an incentive to sustain this performance in the long-term.

Post-Acquisition Arrangements for Compensation

It is anticipated that Messrs. Moss, Smith, Merrick, Eaton, Jones, Kassimiotis, Luscombe, Huntley, Stewart and Dixon will enter into amended employment agreements with Pearl Group. The terms of these employment agreements have not yet been agreed. Cash bonuses and equity compensation will be determined by the Remuneration Committee following consummation of the Acquisition.

Following the Acquisition, we intend to have a significant amount of performance-based compensation for our executive officers, other senior management and other key personnel that is tied to the performance of the group. We also believe that participation by our senior management and key personnel in the LTIP and the RSP, will afford significant alignment with our shareholders. We will have due regard to best practice for remuneration policy including any codes of practice issued by regulators.

In addition, each of our non-executive directors and our chairman and vice chairman will enter into letters of appointment with us pursuant to which they will receive a fee for their services. This fee has not yet been determined.

HISTORIC EXECUTIVE COMPENSATION OF PEARL

Summary Compensation Table

The following table sets forth certain summary information concerning compensation paid or accrued by Pearl for services rendered in all capacities during the financial year ended December 31, 2008 for Pearl's executive directors:

Name and Principal Position	Salary	Bonus	Pension	Benefits[1]	Total
Jonathan Moss — Group Chief Executive	£350,000	£250,000	£14,434[2]	£12,100	£626,534
Simon Smith — Group Finance Director	£320,000	£200,000	£56,803[3]	£12,100	£588,903

(1) Comprises car allowance and private medical insurance. Each executive director is also entitled to death in service benefit of four times base salary.

(2) This is the value of employer contributions to a defined contribution pension arrangement in which Mr. Moss participates.

(3) This is the accrual in the defined benefit pension arrangement in which Mr Smith participates.

Potential Payments Upon Termination

The following discussion summarizes certain provisions of the existing employment agreements between Messrs. Moss and Smith and Pearl, which are expected to be amended or replaced in connection with the Acquisition.

Mr. Moss may terminate his employment with Pearl by giving not less than six-months' written notice. Pearl may terminate Mr. Moss's employment by giving 12 months' written notice. Pearl may, at its discretion, elect to terminate the employment by making a payment in lieu of notice equal to basic salary and the value of benefits for the 12-month notice period or unexpired portion thereof. Mr. Moss's current annual salary is £400,000.

On redundancy Mr. Moss would receive three-weeks' pay for each year of service, with a maximum of 52-weeks' pay. A week's pay equals his annual basic salary divided by 52.

Within Mr. Moss's employment agreement there is a non-solicit of employees restrictive covenant in place for a period of six months from the termination date.

Mr. Smith may terminate his employment with Pearl by giving not less than six-months' written notice. Pearl may terminate Mr. Smith's employment by giving 12-months' written notice. Pearl may, at its discretion, elect to terminate the employment by making a payment in lieu of notice equal to basic salary and the value of benefits for the 12-months' notice period or unexpired portion thereof. Mr. Smith's current annual salary is £380,000.

On redundancy Mr. Smith would receive five weeks pay for every completed year of service. Service counted in complete years only but includes the period of notice Pearl is required to give Mr. Smith. There is a minimum payment of three-months' salary including notice and a maximum payment of 18-months salary including notice.

Within Mr. Smith's employment agreement there is a non-solicit of employees restrictive covenant in place for a period of six months from the termination date.

Senior Management Compensation

The aggregate compensation (including any contingent or deferred compensation) and benefits in kind paid or granted to the Pearl Group's eight senior managers (excluding Messrs. Moss and Smith) by Pearl and its subsidiaries during the financial year ended December 31, 2008 for services in all capacities was: (a) salary: £1,826,783, (b) bonus: £1,322,595 and (c) benefits: £127,653. In addition, five of these senior managers, who were former senior managers of Resolution plc, were paid retention bonuses by Pearl and its subsidiaries in

the aggregate amount of £944,700 in connection with Pearl's acquisition of Resolution. Pearl is not required to, and does not otherwise, disclose publicly compensation for senior managers on an individual basis.

The total amount set aside or accrued by Pearl or its subsidiaries to provide pension, retirement or similar benefits for the directors and senior management for the financial year ended December 31, 2008 was £286,299.

DESCRIPTION OF LIBERTY SECURITIES

Share Capital

On the date of this proxy and consent solicitation statement, our authorized share capital is €30,100 divided into 300,000,000 shares and 1,000,000 preferred shares, each having a nominal value of €0.0001. Our M&AA authorize our board of directors to approve the terms of any preferred shares and issue such preferred shares without the approval of our shareholders.

Assuming the Acquisition Proposal, the Authorized Share Capital Proposal, the M&AA Amendment and Restatement Proposal and the Acquisition Proposal are approved, Liberty's M&AA will be amended to cancel our authorized but unissued 1,000,000 preferred shares and to increase the total share capital from €30,100 to €41,000 which will consist of:

- 300,000,000 ordinary shares; and
- 110,000,000 Class B ordinary shares.

The purpose of the remaining authorized but unissued shares described in the Authorized Share Proposal is to provide Liberty with a sufficient number of available shares for possible acquisitions, financings, equity compensation and other corporate purpose. These additional shares will provide Liberty with the ability to issue additional ordinary shares and Class B ordinary shares without requiring shareholder approval of such issuances, except as otherwise may be required by applicable law or the rules of any stock exchange or trading system on which the securities may be listed or traded currently or in the future, including Euronext and the London Stock Exchange.

Set forth below is a description of our ordinary shares (including our Class B ordinary shares), our warrants (including our Public Warrants, Founders Warrants, Sponsors' Warrants, Royal London Warrants and Lender Warrants), and summaries of certain provisions of the M&AA that will be in effect on the date that we consummate the Acquisition. This summary does not purport to be complete and is qualified in its entirety by reference to the full M&AA and applicable provisions of the Companies Law.

Ordinary Shares

Following the consummation of the Acquisition, the debt restructuring and the adoption of the Authorized Share Capital Proposal, we will have 132,206,400 shares outstanding, consisting of 82,436,400 ordinary shares and 49,770,000 Class B ordinary shares. In addition, we will have an additional 97,828,200 shares that we may become obligated to issue, consisting of 76,468,200 ordinary shares and 21,360,000 Class B ordinary shares (excluding 8,912,387 shares that may be issuable to our Sponsors (or such third parties as they may designate) under the Contingent Subscription Agreement).

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

Our shareholders have no conversion, preemptive or other subscription rights, and there are no sinking fund or redemption provisions applicable to the shares, except that (i) the Lender Shareholders and Sellers have preemptive rights under the Lender Relationship Agreement and the Sellers' Relationship Agreement, (ii) the holders of the Public Shares may exercise their rights to request redemption if they vote against the Acquisition and the Acquisition is approved and completed and (iii) the Class B ordinary shares are convertible into ordinary shares. Holders of Public Shares who exercise their rights to request redemption will retain the right to exercise any warrants they own if they previously purchased units or warrants (as amended by the Warrant Amendments described herein and after giving effect to the Mandatory Redemption)

Class B Ordinary Shares

Except as described below, the Class B ordinary shares will have the same rights and restrictions, and will rank *pari passu* in all respects with our ordinary shares.

The Class B ordinary shares are identical to our ordinary shares, except that the Class B ordinary shares are redeemable and are convertible on a one-for-one basis, by variation of rights and re-designation, into ordinary shares, subject to compliance with applicable laws, including the rules and regulations of any investment exchange on which the ordinary shares are admitted to trading. However, those Class B ordinary shares classified as Claim Reimbursement Shares will not be so convertible prior to the expiration date by which a claim must be brought by Liberty against a shareholder in respect of the warranties under the Pearl Group Purchase Agreement. Following the Claim Date, Claim Reimbursement Shares will be convertible except for such Claim Reimbursement Shares with an aggregate value equal to any unresolved claims made under the warranties pursuant to the Pearl Group Purchase Agreement made prior to the Claim Date.

At any time after Class B ordinary shares have become convertible into ordinary shares in accordance with the amended M&AA and subject to the terms of the Purchase Agreements, a holder of Class B ordinary shares may exercise its option to convert by giving written notice to us. Upon receipt of such written notice: (i) the Class B ordinary shares will automatically convert into ordinary shares by way of variation of rights and re-designation; and (ii) if the ordinary shares are admitted to trading on any exchange, we will make an application for the ordinary shares resulting from such variation of rights and re-designation to be admitted to trading on such investment exchange as soon as practicable.

For a period of one year following the consummation of the Acquisition, the Class B ordinary shares issued to the Sellers under the Purchase Agreements may not be disposed of, except that a Seller may sell up to 50% of such Seller's Class B ordinary shares to pay taxes arising out of the receipt of shares.

50% of the Class B ordinary shares to be issued to the Sellers under the Purchase Agreements are subject to mandatory redemption of such shares in certain circumstances in connection with claims payable under the Purchase Agreements.

For the purposes of a separate class meeting, our board of directors may treat two or more of all the classes of shares as forming one class if our board of directors considers that such classes would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes.

Warrants

Public Warrants

Upon effectiveness of the warrant amendments described herein, each Public Warrant will entitle the registered holder to purchase one ordinary share at a price of €11.00 per share, subject to adjustment as discussed below.

The Public Warrants will expire at the close of trading on Euronext (5:30 p.m., Central European Time) on the five-year anniversary of the closing date of the Acquisition or earlier upon redemption or liquidation. We may call the Public Warrants for redemption:

- in whole but not in part,
- at a price of €0.01 per warrant,
- upon not less than 30 days' prior written notice of redemption to each warrant holder, and
- if, and only if, the reported last sale price of the share equals or exceeds €16.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.

If the foregoing conditions are satisfied and we issue notice of redemption of the Public Warrants, each warrant holder shall be entitled to exercise its warrant prior to the scheduled redemption date and will have

the option to do so on a "cashless basis". However, the price of the shares may fall below the redemption trigger price or the warrant exercise price after the redemption notice is issued.

If we call the Public Warrants for redemption as described above, we will have the option to require any holder to exercise its warrant on a "cashless basis." If we take advantage of this option, or if a warrant holder chooses to exercise its warrant on a "cashless basis" after we issue notice of redemption, the exercise price would be paid by a warrant holder surrendering its Public Warrants for that number of shares equal to the quotient obtained by dividing (x) the product of the number of shares underlying the Public Warrants, multiplied by the difference between the exercise price of the Public Warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of shares for the ten consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Public Warrants. If we take advantage of this option, the notice of redemption will contain the information necessary to calculate the number of shares to be received upon exercise of the Public Warrants, including the "fair market value" in such case. Requiring a cashless exercise in this manner will reduce the number of shares to be issued and thereby lessen the dilutive effect of a warrant redemption.

The Public Warrants are governed by Cayman Islands law and were issued under the terms set forth in a Cayman Islands law-governed warrant agreement between us and RBS, as warrant agent (the **"warrant agent"**). You should review a copy of the Form of Amended and Restated Public Warrant Agreement, which is attached to this proxy and consent solicitation statement as *Annex I* for a complete description of the terms and conditions applicable to the Public Warrants.

The exercise price and number of shares issuable on exercise of the Public Warrants may be adjusted in certain circumstances including in the event of a share dividend, sub-division of shares, reverse share split or our recapitalization, reorganization, merger or consolidation. However, the exercise price and number of shares issuable on exercise of the Public Warrants will not be adjusted for issuances of ordinary shares at a price below the warrant exercise price.

No fractional shares will be issued upon exercise of the Public Warrants. If a holder exercises Public Warrants and would be entitled to receive a fractional interest of a share, we will round down the number of shares to be issued to the warrant holder to the nearest whole number of shares.

Warrant holders do not have the rights or privileges of holders of shares, including voting rights, until they exercise their Public Warrants and receive shares. After the issuance of shares upon exercise of the Public Warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

Holders of book-entry interests in the Public Warrants may exercise their Public Warrants through the relevant Admitted Institution, through which such holders hold their book-entry interests, following applicable procedures for exercise and payment.

Holders of the Public Warrants in certificated form, if any, may exercise their Public Warrants upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, following applicable procedures for exercise and payment.

Founders' Warrants

Upon effectiveness of the warrant amendment described herein (and after giving effect to the termination of the transfer restrictions upon the consummation of the Acquisition), the Founders' Warrants will be substantially similar to the warrants issued in our initial public offering, except that the Founders' Warrants:

- will become exercisable after our consummation of a business combination if and when the last sales price of our shares exceeds €16.50 per share for any 20 trading days within a 30 trading day period beginning 90 days after such business combination;
- will be non-redeemable so long as they are held by our Founders or their permitted transferees; and
- may be exercised at the option of the holder on a cashless basis.

If holders of the Founders' Warrants elect to exercise them on a cashless basis, they would pay the exercise price by surrendering their warrants for that number of shares equal to the quotient obtained by dividing (x) the product of the number of shares underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of the shares for the ten consecutive trading days ending on the third trading day prior to the exercise date of such warrant.

The Founders' Warrants will be subject to the terms and conditions of the Amended and Restated Insider Warrant Agreement. You should review a copy of the Form of Amended and Restated Insider Warrant Agreement, which is attached to this proxy and consent solicitation statement as *Annex J*, for a complete description of the terms and conditions applicable to the Founders' Warrants.

In connection with our initial public offering, each of our Founders has agreed, subject to certain exceptions, not to sell, assign or otherwise transfer, directly or indirectly, any of its Founders' Warrants (including the shares to be issued upon exercise of the Founders' Warrants) until one year from the date of the consummation of a business combination. Citi, on behalf of itself and the other managers of our initial public offering, has agreed to release our Founders from these transfer restrictions such that all of the Founders' Warrants (including the shares to be issued upon exercise of the Founders' Warrants) will not be subject to any transfer restrictions (except as otherwise required by applicable law) immediately following the consummation of the Acquisition. In connection with the release by Citi of these transfer restrictions, the Remaining Warrants that are Founders' Warrants will be amended to remove the transfer restrictions contained therein. On June 27, 2009, our Sponsors entered into a new lock-up agreement with TDR Capital and Hugh Osmond pursuant to which the Sponsors may not sell any of their ordinary shares of Liberty for a period of one year following consummation of the Acquisition. However, each Sponsor may sell: (i) up to 50% of their securities with a value equal to the value of any tax payable by such Sponsor with respect to such securities; (ii) ordinary shares in order to assist in the funding of any required investments in Pearl Group; and (iii) up to 10% of their ordinary shares in order to make charitable gifts. The lock-up may be waived with the consent of TDR Capital and Mr. Osmond and expires as to Berggruen Acquisition Holdings II Ltd. upon the death of Mr. Berggruen and as to Marlin Equities IV, LLC upon the death of Mr. Franklin.

Sponsors' Warrants

Upon effectiveness of the warrant amendments described herein (and after giving effect to the termination of the transfer restrictions upon the consummation of the Acquisition), the Sponsors' Warrants will have terms and provisions that will be identical to the Public Warrants, except that the Sponsors' Warrants:

- are non-redeemable so long as our Sponsors or their permitted transferees hold such warrants (except with respect to the Mandatory Redemption); and
- may be exercised at the option of the holder on a cashless basis.

The Sponsors' Warrants will be subject to the terms and conditions of the Amended and Restated Insider Warrant Agreement. You should review a copy of the Form of Amended and Restated Insider Warrant Agreement, which is attached to this proxy and consent solicitation statement as *Annex J*, for a complete description of the terms and conditions applicable to the Sponsors' Warrants.

If holders of the Sponsors' Warrants elect to exercise them on a cashless basis, they would pay the exercise price by surrendering his, her or its warrants for that number of shares equal to the quotient obtained by dividing (x) the product of the number of shares underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of the shares for the ten consecutive trading days ending on the third trading day prior to the exercise date of such warrants.

Citi, on behalf of itself and the other managers of our initial public offering, has agreed to release our Sponsors from any transfer restrictions such that all of the Sponsors' Warrants (including the shares to be issued upon exercise of the Sponsors' Warrants) will not be subject to any transfer restrictions (except as otherwise required by applicable law) immediately following the consummation of the Acquisition. In

connection with the release by Citi of these transfer restrictions, the Remaining Warrants that are Sponsors' Warrants will be amended to remove the transfer restrictions contained therein. On June 27, 2009, our Sponsors entered into a new lock-up agreement with TDR Capital and Hugh Osmond pursuant to which the Sponsors may not sell any of their ordinary shares of Liberty for a period of one year following consummation of the Acquisition. However, each Sponsor may sell: (i) up to 50% of their securities with a value equal to the value of any tax payable by such Sponsor with respect to such securities, (ii) ordinary shares in order to assist in the funding of any required investments in Pearl Group and (iii) up to 10% of their ordinary shares in order to make charitable gifts. The lock-up may be waived with the consent of TDR Capital and Mr. Osmond and expires as to Berggruen Acquisition Holdings II Ltd. upon the death of Mr. Berggruen and as to Marlin Equities IV, LLC upon the death of Mr. Franklin.

Royal London Warrants

Pursuant to the Royal London Implementation Agreement, upon the consummation of the Acquisition Liberty will issue to Royal London transferable warrants to purchase 2,000,000 Class B ordinary shares and non-transferable warrants to purchase 10,360,000 Class B ordinary shares. The non-transferable warrants and the transferable warrants to be issued to Royal London are identical in all respects other than the fact that the non-transferable warrants can only be transferred to subsidiaries of Royal London while the transferable warrants are freely transferable subject to applicable law.

Each Royal London Warrant will entitle the holder to purchase one Class B ordinary share at a price of €11.00 per share, subject to adjustment as discussed below. The holder of the Royal London Warrants may elect to exercise the warrant and pay the exercise price by assigning to Liberty an amount of outstanding principal and/or accrued but unpaid interest of any debt that is owed to the holder of the warrant by Liberty or any member of the Pearl Group on the date the Royal London Warrants are issued and/or at any time thereafter or by paying in cash by wire transfer.

The Royal London Warrants will expire at the close of trading on Euronext (5:30 p.m., Central European Time), or such other primary exchange as Liberty's ordinary shares are traded, on the earliest to occur of (i) the first business day following the fifth anniversary of issuance of the warrants, (ii) the date fixed for redemption of the warrants as set forth below and (iii) the liquidation of Liberty.

We may call the warrants for redemption:

- in whole but not in part,
- at a price of €0.01 per warrant,
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the last sale price of the ordinary shares equals or exceeds €16.50 per share for any 20 trading days within a 30 day trading period ending on the third business day prior to the notice of redemption to warrant holders.

If the foregoing conditions are satisfied and we issue a notice of redemption of the warrants, each warrant holder shall be entitled to exercise its warrant prior to the scheduled redemption date. Upon a redemption the holder will have the opportunity to pay the Royal London Warrant exercise price either (i) in cash, (ii) by assigning debt in accordance with the above or (iii) by effecting a "cashless exercise" of the warrants. If the holder elects to make a cashless exercise, the holder would pay the exercise price by surrendering the warrants for that number of Class B ordinary shares equal to the quotient obtained by dividing (x) the product of the number of shares underlying the warrants, multiplied by the difference between the exercise price of the warrants and the fair market value by (y) the fair market value. For this purpose, "fair market value" means the average reported last sale price of the ordinary shares for the ten consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of the warrants.

The exercise price and number of shares issuable on exercise of the Royal London Warrants may be adjusted in certain circumstances including in the event of a share dividend, sub-division of shares, reverse share split or our recapitalization, reorganization, merger or consolidation. However, the exercise price and

number of Class B shares issuable on exercise of the Royal London Warrants will not be adjusted for issuances of ordinary shares at a price below the warrant exercise price.

No fractional shares will be issued upon exercise of the Royal London Warrants. If a holder exercises Royal London Warrants and would be entitled to receive a fractional interest of a share, we will round down the number of shares to be issued to the warrant holder to the nearest whole number of shares.

Warrant holders do not have the rights or privileges of holders of shares, including voting rights, until they exercise their Royal London Warrants and receive shares. After the issuance of Class B ordinary shares upon exercise of the Royal London warrants, each holder will be entitled to one vote for each Class B ordinary share held of record on all matters to be voted on by Class B ordinary shareholders.

Lender Warrants

Pursuant to the Implementation Agreement, upon the consummation of the Acquisition, Liberty will issue to the Lenders warrants to purchase 5,000,000 Class B ordinary shares.

Each Lender Warrant will entitle the holder to purchase one Class B ordinary share at a price of £15.00 per share, subject to adjustment as discussed below. The holder of the Lender warrants may elect to exercise the warrant and pay the exercise price either in cash or by assigning to Liberty an amount of outstanding principal and/or accrued but unpaid interest of any debt that is owed to the holder of the Lender Warrant by Liberty or any subsidiary of Liberty.

The Lender Warrants will expire at the close of trading on Euronext (5:30 p.m., Central European Time), or such other primary exchange on which Liberty's ordinary shares are traded, on the earliest to occur of (i) the first business day following the fifteenth anniversary of issuance of the Lender Warrants, (ii) the date fixed for redemption of the Lender Warrants as set forth below and (iii) the liquidation of Liberty.

We may call the Lender Warrants for redemption:

- in whole but not in part,
- at a price of €0.01 per Lender Warrant,
- upon not less than 30 days' prior written notice of redemption to each Lender Warrantholder; and
- if, and only if, the last sale price of the ordinary shares equals or exceeds £19.50 (or the euro equivalent of that price) per share for any 20 consecutive trading days during the exercise period.

If the foregoing conditions are satisfied and we issue a notice of redemption of the Lender Warrants, each Lender Warrantholder shall be entitled to exercise its warrant prior to the scheduled redemption date. Upon a redemption, the holder will have the opportunity to effect a cashless exercise of the Lender Warrants. If the holder elects to make a cashless exercise, the holder would pay the exercise price by surrendering the Lender Warrants for that number of Class B ordinary shares equal to the quotient obtained by dividing (i) the product of the number of shares underlying the Lender Warrants multiplied by the difference between the exercise price of the Lender Warrants and the fair market value by (ii) the fair market value. For this purpose, "fair market value" means the average reported last sale price of the ordinary shares for the ten consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of the Lender Warrants.

The exercise price and number of shares issuable on exercise of the Lender Warrants may be adjusted in certain circumstances including in the event of a share dividend, sub-division of shares, reverse share split or our recapitalization, reorganization, merger or consolidation.

No fractional shares will be issued upon exercise of the Lender Warrants. If a holder exercises Lender Warrants and would be entitled to receive a fractional interest of a share, we will round up the number of shares to be issued to the Lender Warrantholder to the nearest whole number of shares.

Lender Warrantholders do not have the rights or privileges of holders of shares, including voting rights, until they exercise their Lender Warrants and receive shares. After the issuance of Class B ordinary shares

upon exercise of the Lender Warrants, each holder will be entitled to one vote for each Class B ordinary share held of record on all matters to be voted on by Class B ordinary shareholders.

Our Warrant Agent, Euroclear Nederland Agent and Trustee

The warrant agent and Euroclear Nederland agent who acts as our issuing, transfer and paying agent for our units, shares and Public Warrants is RBS, Gustav Mahlerlaan 10, 1082 PP, Amsterdam, the Netherlands (telephone number: +31 20 383 6707, fax number: +31 20 628 0004). Our Trustee is Continental Stock Transfer & Trust Company.

Lock-Up Arrangements

Sponsors

On June 27, 2009, our Sponsors entered into a new lock-up agreement with TDR Capital and Hugh Osmond under which the Sponsors may not sell any of their ordinary shares, warrants or Class B ordinary shares of Liberty for a period of one year following consummation of the Acquisition. However, each Sponsor may sell: (i) up to 50% of its securities with a value equal to the value of any tax payable by such Sponsor with respect to such securities, (ii) ordinary shares in order to assist in the funding of any required investments in Pearl Group and (iii) up to 10% of their ordinary shares in order to make charitable gifts. The lock-up may be waived with the consent of TDR Capital and Mr. Osmond and will terminate prior to the one-year period, as to Berggruen Acquisition Holdings II Ltd., upon the death of Mr. Berggruen, and as to Marlin Equities IV, LLC, upon the death of Mr. Franklin.

Lenders

The Lenders have agreed to a lock-up on the transfer of certain of the shares they hold in us for a period of one year following the consummation of the Acquisition and the debt restructuring and to orderly market requirements in respect of the sale of those shares, see "Agreements Related to the Acquisition — Lender Relationship Agreement — Lock-Up of Shares."

Sellers

The Sellers have agreed to a lock-up on the transfer of the shares they hold in us for a period of one year following the consummation of the Acquisition and the debt restructurings, see "The Pearl Group Purchase Agreement — Covenants — Lock-Up" and "Agreements Related to the Acquisition — Sellers' Relationship to the Agreement — Orderly Market."

Royal London

Royal London has agreed not to transfer any securities it receives from us, including shares issuable upon the exercise of Royal London warrants or ordinary shares received upon the conversion of Class B ordinary shares, for a period of one year following consummation of the Acquisition, save on a change of control or in respect of a transfer to an affiliate.

Royal London has also agreed, for a period of six months following the expiration of the one-year lock-up period referred to in the preceding paragraph consummation of the Acquisition or, if earlier, until such time that it ceases to hold more than 2.5% of Liberty's issued share capital, to only dispose of the shares it holds in us on a best price and execution basis through Liberty's broker at the time and in such orderly manner as Liberty may require with a view to maintaining an orderly market in our shares provided that such broker is, in Royal London's reasonable opinion, of substance and of good repute and has substantial distribution capacity in the insurance sector.

MAJOR SHAREHOLDERS' AND DIRECTORS' AND EXECUTIVE OFFICERS' INTERESTS

The table below sets forth the beneficial ownership of our ordinary shares as of the Record Date, and the expected beneficial ownership of our ordinary shares and Class B ordinary shares immediately after the consummation of the Acquisition, of the following individuals or entities:

- the individuals who are our directors and executive officers and the individuals who will be our directors and executive officers after the consummation of the Acquisition;
- each person who beneficially owns more than five percent (5%) of our outstanding ordinary shares immediately before the consummation of the Acquisition and each person who will beneficially own more than 5% of our outstanding ordinary shares or Class B ordinary shares immediately after the consummation of the Acquisition; and
- our directors and executive officers as a group immediately before and after the consummation of the Acquisition.

Our ordinary shares trade on Euronext and are held in book-entry form through Euroclear Nederland. Therefore, except as publicly disclosed by our major shareholders pursuant to filings with the AFM, we do not know the identity or percentage ownership of the holders of our publicly-held shares.

Except as otherwise indicated, each person or entity named in the table is expected to have sole voting and investment power with respect to all shares of our share capital shown as beneficially owned, subject to applicable community property laws.

The table and percentages of beneficial ownership set forth below:

- before the Acquisition are based on 75,000,000 of our ordinary shares that were issued and outstanding as of the Record Date; and
- after the Acquisition are based on 82,436,400 ordinary shares and 49,770,000 Class B ordinary shares (132,206,400 shares in the aggregate) to be outstanding immediately following the consummation of the Acquisition (after giving effect to the issuance of 4,000,000 ordinary shares issued in connection with the Mandatory Redemption and assuming no further redemption of shares by Liberty's shareholders).

The beneficial ownership information in the table below has been calculated based on rules promulgated by the U.S. Securities and Exchange Commission, and may differ from ownership information contained in documents filed with the AFM. Ordinary shares and Class B ordinary shares not outstanding but deemed beneficially owned by virtue of the individual's right to acquire them as of the Record Date, or within 60 days of the Record Date, are treated as outstanding when determining the percent of the class owned by such individual or entity (but are not deemed outstanding for the purpose of computing the percentage ownership of any other person). Accordingly, the table (including the percentages of beneficial ownership after the Acquisition) does not give effect to the issuance of:

- up to 35,000,000 ordinary shares issuable to the Pearl Lenders and the Sellers under the Contingent Fee Agreement and the Contingent Consideration Agreement;
- up to approximately 8,912,387 Class B ordinary shares that may be issuable to our Sponsors or their designees under the Contingent Subscription Agreement;
- an additional 1,000,000 Class B ordinary shares that may be issuable to the Sponsors or their designees as a fee for agreeing to perform the obligations under the Contingent Subscription Agreement;
- any shares which any person may acquire as a result of any increase in the number of shares that they respectively own in the capital of TC1 or TC2 either (i) as a result of a pre-emptive rights offer by TC1 and/or TC2, which it is currently anticipated may be made in advance of the consummation of the Acquisition or (ii) pursuant to any obligation such person may have under any related underwriting agreement prior to the consummation of the Acquisition; and

- any permitted reallocation of shares to be issued as consideration to the Sellers under the Purchase Agreements,

in each case, as the issuance of such shares is subject to the satisfaction of certain conditions which cannot occur within 60 days of the date of the Acquisition or which cannot be determined as of the date hereof.

Name of Beneficial Owners	Number of Ordinary Shares Beneficially Owned Before the Acquisition	Approx. % of Ordinary Shares Beneficially Owned Before the Acquisition	Number of Ordinary Shares Beneficially Owned After the Acquisition	Approx. % of Ordinary Shares Beneficially Owned After the Acquisition	Number of Class B Shares Beneficially Owned After the Acquisition	Approx. % of Class B Shares Beneficially Owned After the Acquisition	Total Number of Class B and Ordinary Shares Beneficially Owned After the Acquisition	Approx. % of Class B and Ordinary Shares Beneficially Owned After the Acquisition
Berggruen Acquisition Holdings II Ltd [1]	7,404,600 [2]	9.9%	9,954,641 [3]	11.8%	—	—%	9,954,641 [3]	7.4%
Marlin Equities IV, LLC [4]	7,404,600 [2]	9.9	9,954,641 [3]	11.8	—	—	9,954,641 [3]	7.4
Nicolas Berggruen [5]	7,404,600 [2]	9.9	9,954,641 [3]	11.8	—	—	9,954,641 [3]	7.4
Martin Franklin [6]	7,404,600 [2]	9.9	9,954,641 [3]	11.8	—	—	9,954,641 [3]	7.4
Miguel Pais do Amaral	63,600	*	66,667	*	—	—	66,667	*
Dimitri J. Goulandris	63,600	*	66,667	*	—	—	66,667	*
Ashley Silverton	—	—	—	—	—	—	—	—
Millenium Management LLC [7]	7,090,814 [8]	9.5	11,741,282 [9]	13.6	—	—	11,741,282 [9]	8.6
Weiss Capital LLC [10]	5,759,336	7.7	5,759,336	7.0	—	—	5,759,336	4.4
The Baupost Group LLC [11]	4,800,000	6.4	4,800,000	5.8	—	—	4,800,000	3.6
FMR LLC [12]	4,125,000 [13]	5.5	6,386,448 [14]	7.6	—	—	6,386,448 [14]	4.8
HBK Offshore Fund Ltd. [15]	3,999,823	5.3	3,999,823	4.8	—	—	3,999,823	3.0
Brahman Capital Corporation [16]	3,400,000 [17]	4.5	5,265,626 [18]	6.3	—	—	5,265,626 [18]	3.9
TDR Capital Nominees Limited [19]	—	—	—	—	18,181,968	36.6	18,181,968	13.8
Royal London Mutual Insurance Society Limited	—	—	—	—	18,540,000 [20]	30.1	18,540,000 [20]	12.8
Ian Ashken [21]	—	—	—	—	—	—	—	—
Rene-Pierre Azria	—	—	—	—	—	—	—	—
David Barnes	—	—	—	—	—	—	—	—
Manjit Dale	—	—	—	—	1,764,571 [22]	3.5	1,764,571 [22]	1.3
Jonathan Evans	—	—	—	—	—	—	—	—
Ian Cormack	—	—	—	—	—	—	—	—
Jonathan Moss	—	—	—	—	140,741	*	140,741	*
Hugh Osmond	—	—	—	—	6,594,964 [23]	13.3	6,594,964 [23]	5.0
Simon Smith	—	—	—	—	134,771	*	134,771	*
All directors and executive officers as a group (five individuals before the acquisition and nine individuals after the acquisition)	14,936,400	19.9	—	—	8,635,047	17.3	8,635,047	6.5

* Less than 1%

(1) Berggruen Acquisition Holdings II Ltd., a British Virgin Islands business company and one of our sponsors, is the direct subsidiary of Berggruen Holdings North America Ltd., a British Virgin Islands business company. Berggruen Holdings North America Ltd. is the managing and majority shareholder of Berggruen Acquisition Holdings II Ltd. and a direct, wholly-owned subsidiary of Berggruen Holdings Ltd, a British Virgin Islands business company. All of the shares of Berggruen Holdings Ltd. are owned by Tarragona Trust, a British Virgin Islands trust. The trustee of Tarragona Trust is Maitland Trustees Limited, a British Virgin Islands corporation acting as an institutional trustee in the ordinary course of business without the purpose or effect of changing or influencing control of us. Mr. Berggruen is the president of Berggruen Acquisition Holdings II Ltd. and may be considered to have beneficial ownership of Berggruen Acquisition Holdings II Ltd.'s interests in us. Mr. Berggruen disclaims beneficial ownership of any shares in which he does not have a pecuniary interest.

(2) Excludes 7,404,600 Founders' Warrants and 4,000,000 Sponsors' Warrants that become exercisable upon the consummation of the Acquisition.

(3) Consists of 7,954,641 ordinary shares and 2,000,000 Sponsors' Warrants that become exercisable upon consummation of the Acquisition.

(4) Mr. Franklin is the majority owner and managing member of Marlin Equities IV, LLC and may be considered to have beneficial ownership of Marlin Equities IV, LLC's interests in Liberty. Mr. Franklin disclaims beneficial ownership of any ordinary shares in which he does not have a pecuniary interest.

(5) Represents securities held indirectly by Berggruen Acquisition Holdings II Ltd. Mr. Berggruen does not directly hold any securities of Liberty.

(6) Represents securities held indirectly by Marlin Equities IV, LLC. Mr. Franklin does not directly hold any securities of Liberty.

(7) Based solely on a public filing with the AFM on May 21, 2008, the ordinary shares and Public Warrants held either directly or indirectly through Integrated Core Strategies (Europe) S.a.r.l., Integrated Holding Group LP and Millenium Partners, L.P.

(8) Excludes Public Warrants to purchase 8,482,700 ordinary shares that become exercisable upon the consummation of the Acquisition.

(9) Includes Public Warrants to purchase 4,241,350 ordinary shares that become exercisable upon the consummation of the Acquisition.

(10) Based solely on a public filing with the AFM on June 17, 2009. According to such filing, (i) the ordinary shares are held either directly or indirectly through Brookdale International Partners, L.P. and Brookdale Global Opportunity Fund and (ii) Weiss Capital LLC has voting power with respect to 3,739,336 of such ordinary shares.

(11) Based solely on a public filing with the AFM on February 6, 2008.

(12) Based solely on public filings with the AFM on March 6, 2008.

(13) Excludes Public Warrants to purchase 4,125,000 ordinary shares that become exercisable upon the consummation of the Acquisition.

(14) Includes Public Warrants to purchase 2,062,500 ordinary shares that become exercisable upon the consummation of the Acquisition.

(15) Based solely on a public filing with the AFM on December 10, 2008. According to such filings, shares are held indirectly through HBK Muster Fund L.P. and voting control over such ordinary shares is shared by HBK New York LLC and HBK Services LLC.

(16) Based solely on public filings with the AFM on February 6, 2008. According to such filing, Brahman Capital Corporation maintains voting power over, but does not directly hold, such ordinary shares.

(17) Excludes Public Warrants to purchase 3,403,000 ordinary shares that become exercisable upon the consummation of the Acquisition.

(18) Includes Public Warrants to purchase 1,701,500 ordinary shares that become exercisable upon the consummation of the Acquisition.

(19) TDR Capital Nominees Limited will hold the legal title of the Class B ordinary shares set forth in this table. Beneficial ownership is held by various TDR Capital entities, none of which will hold more than 5% of the outstanding shares of Liberty immediately following the consummation of the Acquisition.

(20) Includes warrants to purchase 12,360,000 Class B ordinary shares that become exercisable upon the consummation of the Acquisition.

(21) Mr. Ashken is a member of Marlin Equities IV, LLC. Mr. Ashken disclaims beneficial ownership of any securities owned by Marlin Equities IV, LLC.

(22) Represents Mr. Dale's immediate direct and indirect interest (through associated vehicles) in Class B ordinary shares immediately following the consummation of the Acquisition.

(23) Represents Mr. Osmond's immediate direct and indirect interest in Class B ordinary shares immediately following the consummation of the Acquisition.

In connection with the vote required for the Acquisition, each of our Founders has agreed to vote the ordinary shares acquired by it before our initial public offering in accordance with the majority of the ordinary shares voted by the public shareholders. Each of our Founders has also agreed to vote any shares acquired by it in or after our initial public offering in favor of the Acquisition.

PEARL GROUP AUDITOR

Ernst & Young LLP reported on the historical consolidated financial statements as at and for the years ended December 31, 2008 and 2007, of Pearl included in this proxy and consent solicitation statement.

REGISTERED OFFICE

Our registered office in the Cayman Islands is c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Additional copies of this proxy and consent solicitation statement or any annex to this proxy and consent solicitation statement may be obtained free of charge by:

- visiting Liberty's website at www.libertyacquisitionholdingsinternational.com;
- directing a request to Liberty at:

Liberty Acquisition (Holdings) International
Bison Court, Road Town
Tortola, British Virgin Islands, VG1110
Telephone: (+1 (284) 494-7605)
Facsimile: (+1 (284) 494-8251);

or

- directing a request to our transfer agent at:

RBS
Equity Capital Markets/Corporate Actions HQ3130
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
Tel: +31 20 383 6707
Fax: +31 20 628 0004
Email: corporate.actions@rbs.com

You may also obtain additional information about Liberty from documents filed with the AFM by visiting the AFM's website at www.afm.nl.

Information and statements contained in this proxy and consent solicitation statement, or any annex to this proxy and consent solicitation statement, are qualified in all respects by reference to the copy of the relevant contract or other annex enclosed with this proxy and consent solicitation statement.

All information contained in this proxy and consent solicitation statement relating to Liberty has been supplied by Liberty, and all such information relating to Pearl has been supplied by Pearl. Information provided by either of Liberty or Pearl does not constitute any representation, estimate or projection of the other.

GLOSSARY

"10% U.S. Shareholder"	A U.S. person who owns (directly, indirectly and/or constructively) 10% or more of the total combined voting power of all classes of shares entitled to vote of a subject corporation
"Acquired Companies"	SCIL, including its 50% interest in Pearl and the subsidiaries of Pearl; HIOL, including its 50% interest in Pearl and the subsidiaries of Pearl; TC1, including its 100% direct interest in MC1, its 100% indirect interest in SC2L and its 12.5% indirect interest in Impala and the subsidiaries of Impala; TC2, including its 100% direct interest in MC2, its 100% indirect interest in HI2L and its 12.5% indirect interest in Impala and the subsidiaries of Impala; and Opal Re.
"Acquisition"	The acquisition by Liberty of the Acquired Companies pursuant to the Purchase Agreements
"Admitted Institution"	An admitted institution of Euroclear Nederland
"AFM"	The Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*)
"Amended and Restated Impala Acquisition Credit Facility Agreement"	The amended and restated Impala Acquisition Credit Facility dated June 27, 2009 entered into by Impala and the Impala Lenders and to become effective upon the completion of the Acquisition
"Amended and Restated Pearl Acquisition Credit Facility Agreement"	The amended and restated Pearl Acquisition Credit Facility dated June 27, 2009 entered into by Pearl and the Pearl Lenders and to become effective upon the completion of the Acquisition
"Axial"	Axial Investment Management Limited
"BMA"	The Bermuda Monetary Authority
"BSP"	The Bonus Share Plan
"BSP Award"	A share award, a share option, an allocation of forfeitable shares or any combination of them which an eligible individual may be granted under the BSP
"cede"	The transfer of all or part of the risk written by an insurer to a reinsurer
"CFC"	Controlled Foreign Corporation
"CFO Forum"	The European Insurance CFO Forum
"Chairman"	A permanent chairman of Liberty's board of directors appointed by Liberty in consultation with the Lenders
"Citi"	Citigroup Global Markets Limited
"City Code"	The City Code on Takeovers and Mergers, as issued from time to time by or on behalf of the U.K.'s Panel on Takeovers and Mergers (or any successor to or replacement thereof) or any other regime (whether statutory or non-statutory) governing the conduct of takeovers and mergers in the U.K.
"Claim Date"	The date that is 30 days after the completion and delivery of Liberty's audited financial statements for the financial year ending December 31, 2010 to Liberty and its selected representative

"Claim Reimbursement Shares"	50% of the Class B ordinary shares issued by Liberty to the relevant Sellers under the Purchase Agreements
"Combined Code"	The U.K. Combined Code on Corporate Governance
"Companies Law"	Companies Law (2007 Revision) of the Cayman Islands
"Contingent Consideration Agreement"	The Contingent Consideration Agreement, dated June 27, 2009, among Liberty, the Pearl Group Sellers and the Opal Re Sellers
"Contingent Fee Agreement"	The Contingent Fee Agreement, dated June 27, 2009, among Liberty, the Pearl Borrowers, the Impala Borrowers and the Lenders
"Contingent Subscription Agreement"	The Contingent Subscription Agreement, dated June 27, 2009, among Liberty and its Sponsors
"Deadline"	3:00 p.m., Central European Time, on July 23, 2009
"Dividend Shares"	Employees can be required or allowed to reinvest dividends paid on their Free Shares, Partnership Shares and Matching Shares in further ordinary shares under the SIP
"DPF"	Discretionary participating funds
"EC"	European Commission
"ECR"	The Enhanced Capital Requirement
"EEA"	European Economic Area
"Euroclear Nederland"	Euroclear Nederland (Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.)
"Euronext"	Euronext Amsterdam by NYSE Euronext
"FFA"	Funds for future appropriations.
"FOS"	The U.K. Financial Ombudsman Service
"Founders"	The Sponsors and Liberty's initial independent directors
"Founders' Shares"	The ordinary shares issued to Liberty's Founders as part of the Founders' Units prior to its initial public offering
"Founders' Units"	The units issued to Liberty's Founders prior to its initial public offering
"Founders' Warrants"	The warrants issued to Liberty's Founders as part of the Founders' Units prior to its initial public offering
"Free Shares"	Shares awarded under the SIP
"FRS"	Financial Reporting Standard (issued by the ASB)
"FSA"	The Financial Services Authority
"FSA's rulebook"	The FSA Handbook of Rules and Guidance
"FSMA"	The Financial Services and Markets Act 2000
"GAOs"	Guaranteed annuity options
"HIOL"	Hera Investments One Limited

"HI2L"	Hera Investments No. 2 Limited
"HMRC" or "HM Revenue & Customs"	Her Majesty's Revenue & Customs
"IASB"	The International Accounting Standards Board
"ICA"	Individual Capital Assessment
"IFRS"	International Financial Reporting Standards
"IGD"	The Insurance Groups Directive of the European Commission
"IGD solvency surplus"	The extent to which a U.K.-regulated insurance group's capital resources exceed its group capital resources requirement calculated in accordance with the FSA's rules implementing the Insurance Groups Directive
"Ignis"	Ignis Asset Management Limited
"Impala"	Impala Holdings Limited
"Impala Acquisition Credit Facility"	The syndicated credit facility in the amount of £2,260 million made available to the Impala's direct shareholders, SC2L and HI2L. This facility was provided in May 2008 as financing for Impala's acquisition of Resolution. The tranches have termination dates five years, six years and seven years from the first utilization date
"Impala Borrowers"	Sun Capital Investments No. 2 Limited and Hera Investments Two Limited
"Impala Facility"	The refinanced Impala Acquisition Credit Facility
"Impala Fee"	The fee that must be paid by the Impala Borrowers to the Impala lenders as part of the consideration for the restructuring of the Impala Acquisition Credit Facility in the amount of £52,200,000, pursuant to the Implementation Agreement
"Impala Group"	The Impala Borrower, Impala and their respective subsidiaries, collectively
"Impala Lenders"	The lenders under the Impala Acquisition Credit Facility
"Impala Life Companies"	The subgroup of Pearl Group Life Companies that are subsidiaries of Impala and not of Pearl, including Phoenix Life, Phoenix Pensions, Phoenix and London Assurance and SMI
"Implementation Agreement"	The Implementation Agreement, dated June 27, 2009, among the Lenders, the Pearl Borrowers, the Impala Borrowers, TDR Capital LLP, TDR Capital, Pearl and Sun Capital
"in-force business"	A long-term insurance business that has been written before a specified date and which has not terminated before that date.
"Insider Warrant Agreement"	The Insider Warrant Agreement, dated as of January 9, 2008, by and between Liberty and its Founders
"Insider Warrants"	Collectively, the Founders' Warrants and the Sponsors' Warrants issued under the Insider Warrant Agreement
"Insurance Act"	The Bermuda Insurance Act 1978.
"IRR"	Internal rate of return

"Lender Loan Notes"	£75 million in secured loan notes (£37.5 million issued by each of SCIL and HIOL), which will be issued by SCIL and HIOL pursuant to instruments separate from the Amended and Restated Pearl Acquisition Credit Facility Agreement
"Lender Non-Executive Director"	A non-executive director nominated for appointment to the board of directors of Liberty by the Lenders
"Lender Relationship Agreement"	The relationship agreement among Liberty and the Lender Shareholders
"Lenders"	The Pearl Lenders and the Impala Lenders collectively
"Lender Shareholders"	The Lenders who are also shareholders under the Lender Relationship Agreement
"Lenders Warrant Agreement"	The Warrant Instrument to be executed by Liberty governing the Lender Warrants
"Lenders Warrants"	The warrants to be issued pursuant to the Lenders Warrant Agreement
"Liberty"	Liberty Acquisition Holdings (International) Company, a Cayman Islands exempted company
"Liberty Shares"	Any shares of any class in Liberty or any of its subsidiaries
"Loan Note Mandatory Cost"	An addition to the interest rate designed to compensate the Lender Loan Note holders for the costs of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank
"London Life"	London Life Limited
"LTIP"	The Long-Term Incentive Plan
"LTIP Award"	A share award, a share option, or an allocation of forfeitable shares or any combination of them which an eligible individual may be granted under LTIP
"M&AA"	Liberty's Second Amended and Restated Memorandum and Articles of Association
"Mandatory Cost Percentage"	An additional percentage, calculated on the first day of each interest period in accordance with the terms of the Amended and Restated Impala Acquisition Credit Facilities Agreement, to compensate the Impala Lenders for the cost of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank
"Mandatory Redemption"	The mandatory redemption, on a *pro rata* basis, of a total of approximately 41,500,000 of Liberty's outstanding warrants (30,000,000 Public Warrants, approximately 7,500,000 Founders' Warrants and 4,000,000 Sponsors' Warrants) immediately upon the consummation of the Acquisition in exchange for 4,000,000 newly issued ordinary shares (of which approximately 2,900,000 will be issued in respect of the Public Warrants and approximately 1,100,000 will be issued in respect of the Insider Warrants), at a ratio of one ordinary share for each 10.36705 warrants redeemed, as contemplated by the Warrant Amendment

"Matching Shares"	An award of shares which may be grated to eligible employees who have purchased Partnership Shares under the SIP
"MC1"	Suncap Parma MidCo Limited
"MC2"	TDR Parma MidCo Limited
"MCEV"	Market-Consistent Embedded Value
"MCR"	Minimum Capital Requirement
"MiFID"	The Markets in Financial Instruments Directive adopted by the European Union
"National Provident Life"	National Provident Life Limited
"New Pensions Agreement"	The agreement, dated June 26, 2009, between Pearl and the Pearl Group Pension Scheme trustees.
"NewCo"	The intermediary holding company incorporated under the laws of England that will be inserted between Pearl and SCIL and HCIL prior to the consummation of the Acquisition
"non-profit" or "non-participating"	A life insurance contract is without profit if the life company has no discretion over the amount of benefit payable, i.e., the policy document will specify at outset either the amount of the benefits under the contract or how they will be calculated
"NPI"	NPI Limited
"Observer"	A representative appointed by the Lenders to attend any meeting of the board of directors of Liberty or any of its subsidiaries, or committees thereof, as an observer
"OIVOP"	An own initiative variation of permission issued by the FSA
"On-Sold Resolution Assets"	The assets of Resolution plc that were transferred by the Pearl Group to Royal London for total consideration of £1.3 billion (subject to certain post-closing adjustments) in connection with Impala's Acquisition of Resolution plc on May 1, 2008
"Opal Re"	Opal Reassurance Limited
"Opal Re Acquisition"	The acquisition by Liberty of all of the outstanding equity interests of Opal Re in exchange for Class B ordinary shares of Liberty, pursuant to the Opal Re Purchase Agreement
"Opal Re Contribution Agreement"	The agreement relating to the contribution of Opal Re profits to the Pearl Borrowers entered into on June 27, 2009 among Liberty, SCIL, HIOL, ABN AMRO BANK N.V., & London Branch (as the agent under the Amended and Restated Pearl Acquisition Facility Agreement) and Opal Re
"Opal Re Purchase Agreement"	The Purchase Agreement, dated June 27, 2009, among Liberty and the Opal Re Sellers
"Opal Re Sellers"	The equity holder of Opal Re (being O-Re Holdings (Netherlands) B.V.) and its parent company, O-Re Holdings UK Limited
"open fund"	A portfolio of insurance liabilities which is supplemented on an ongoing basis by the addition of new contracts of insurance

"Part VII"	Part VII of the FSMA, which requires an application made to a U.K. court for an order sanctioning an insurance business transfer scheme to be accompanied by a report by an independent expert on the terms of the scheme. The FSA also has the right to participate in the proceedings.
"Partnership Shares"	The opportunity for eligible employees to purchase shares with deductions from their pre-tax salary under the SIP
"Pearl"	Pearl Group Limited
"Pearl Acquisition Credit Facility"	The syndicated credit facility in the amount of £825 million, comprising a £412.5 million loan made available to Pearl's direct shareholder SCIL and a £412.5 million loan made available to Pearl's direct shareholder HIOL. This facility was provided in April 2005 as financing for Sun Capital and TDR Capital's acquisition of the closed life companies of HHG PLC, which became part of the then-newly formed Pearl
"Pearl Assurance"	Pearl Assurance plc
"Pearl Borrowers"	SCIL and HIOL
"Pearl Facility"	The refinanced Pearl Acquisition Credit Facility
"Pearl Fee"	The fee that must be paid by the Pearl Borrowers to the Pearl Lenders as part of the consideration for the restructuring of the Pearl Acquisition Credit Facility in the amount of £17,010,000, pursuant to the Implementation Agreement
"Pearl Group"	i) Prior to consummation of the Acquisition: Pearl and its subsidiaries from time to time (including, for periods beginning on or after May 1, 2008, the acquired Resolution companies) ii) Following the Acquisition: Pearl Group (formerly, Liberty Acquisition Holdings (International) Company) and its subsidiaries from time to time (including, for periods beginning on or after May 1, 2008, the acquired Resolution companies) together with Opal Re
"Pearl Group Life Companies"	The Pearl Life Companies and the Impala Life Companies, collectively
"Pearl Group Management Services"	Pearl Group Management Services Limited
"Pearl Group Pension Scheme"	The pension scheme covering the employees of the Pearl Group and companies that had been acquired by the Pearl Group prior to the Acquisition of Resolution
"Pearl Group Purchase Agreement"	The Purchase Agreement, dated June 27, 2009, among Liberty and the Pearl Group Sellers
"Pearl Group Sellers"	The equity holders of the Acquired Companies (other than Opal Re) who are parties to the Pearl Group Purchase Agreement
"Pearl Group Services"	Pearl Group Services Limited
"Pearl Lenders"	The lenders under the Pearl Acquisition Credit Facility

"Pearl Life Companies"	The subgroup of Pearl Group Life Companies that are subsidiaries of Pearl but not of Impala, including Pearl Assurance, London Life, NPI and National Providence Life
"Pearl Majority Lenders"	Lenders holding more than 66⅔% of the outstanding Pearl Facility
"persistency"	The percentage of policies that stay in force and do not lapse or are not surrendered
"PFIC"	Passive Foreign Investment Company
"PGL Staff Pension Scheme"	The pension scheme covering the employees of Resolution and companies that had been acquired by Resolution (formerly known as the Resolution Group Pension Scheme)
"Phoenix and London Assurance"	Phoenix and London Assurance Limited
"Phoenix Life"	Phoenix Life Limited
"Phoenix Pensions"	Phoenix Pensions Limited
"PIK Debt"	Both the PIK Notes and the PIK Facility debt assigned to Liberty
"PIK Documents"	The PIK Facility and PIK Notes, collectively
"PIK Facility"	The PIK Facility Agreement, dated October 10, 2007, as amended, among MC2, MC1 and Royal London
"PIK Notes"	The PIK notes to be issued pursuant to the PIK Notes Instrument
"PIK Notes Instrument"	A deed poll notes instrument dated May 14, 2008 executed by MC1 and MC2 pursuant to which PIK notes of £154.5 million were issued
"Pillar 1"	See "Industry — General Overview of the U.K. Regulatory Capital Framework — Overview"
"Pillar 2"	See "Industry — General Overview of the U.K. Regulatory Capital Framework — Overview"
"PPFM"	Principles and Practices of Financial Management
"Public Shares"	The ordinary shares issued to the public in Liberty's initial public offering
"Public Warrant Agreement"	The Warrant Agreement, dated as of February 5, 2008, by and between Liberty and RBS
"Public Warrants"	The warrants issued under the Public Warrant Agreement
"Purchase Agreement Shares"	The Class B ordinary shares issued by Liberty to the Sellers as a consequence of the provisions of the Purchase Agreements
"Purchase Agreements"	The Pearl Group Purchase Agreement and the Opal Re Purchase Agreement, collectively
"PVIF"	Present value of in-force
"PVNBP"	The present value of new business premiums
"RBS"	ABN AMRO Bank, N.V., trading under the name "RBS"
"Record Date"	June 27, 2009, the record date for the determination of Liberty shareholders entitled to notice of the extraordinary general meeting and to vote at such meeting and any adjournment or postponement

	thereof and the record date for the determination of Liberty warrant holders entitled to consent to the Warrant Amendment
"Remaining Warrants"	The warrants that are not mandatorily redeemed pursuant to the Mandatory Redemption
"Repurchase Shares"	The 63,600 ordinary shares purchase by Liberty from Guy Naggar at a repurchase price at par of €6.36 in the aggregate
"Resolution"	Resolution plc and its subsidiaries as acquired by Pearl on May 1, 2008, excluding the On-Sold Resolution Assets
"Resolution plc"	Resolution plc, which was acquired by Impala on May 1, 2008, and subsequently renamed Pearl Group Holdings (No. 1) Limited
"Rolled-Up Interest"	Any interest in respect of the PIK Margin that remains unpaid on the relevant interest payment date and that is added to the relevant tranche of the Impala Facility so as to increase the principal amount of such tranche
"Royal London"	Royal London Mutual Insurance Society Limited
"Royal London Warrants"	The warrants to be issued to Royal London pursuant to the Royal London Subscription Agreement
"RPI"	The U.K. Retail Price Index
"RPII"	Related Person Insurance Income
"RPII Shareholder"	A United States person who owns, directly or indirectly, any amount of shares of a foreign corporation
"RSP"	The Restricted Stock Plan
"RSP Award"	A share award, a share option, or an allocation of forfeitable ordinary shares or combination of them which an eligible individual may be granted under the RSP
"run-off"	The process of bringing down the liabilities and accessing trapped capital of a closed fund
"SC2L"	Sun Capital Investments No. 2 Limited
"SCIL"	Sun Capital Investments Limited
"Scottish Mutual Assurance"	Scottish Mutual Assurance Limited
"Scottish Provident"	Scottish Provident Limited
"Sellers"	The equity holders of the Acquired Companies which are sellers or selling shareholders under the Pearl Group Purchase Agreement and the Opal Re Purchase Agreement, collectively
"Sellers' Relationship Agreement"	The relationship agreement among Liberty and the Sellers
"Selling Shareholders"	Holders of equity in the Acquired Companies (or any of them), excluding the Sellers and Royal London
"Senior Debt Mandatory Cost"	An addition to the interest rate designed to compensate the Pearl Lenders for the costs of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank
"Share Plans"	The LTIP, the RSP, the BSP, the Sharesave Plan and the SIP, collectively

"Shareholder Fund"	The fund in a life company that represents the company's shareholders' interest in the company and is comprised of either original capital or retained profits that are not required for support of the life funds. Its assets are primarily held as cash and are payable as a dividend or withheld to support weaker funds from a regulatory capital perspective.
"Sharesave Plan"	The Sharesave Plan
"SIP"	The Share Incentive Plan
"SMI"	Scottish Mutual International Limited
"Sponsors"	Berggruen Acquisition Holdings II Ltd. and Marlin Equities IV, LLC
"Sponsors' Warrants"	The warrants issued to the Sponsors on February 13, 2008
"Sun Capital"	The following principals of Sun Capital Partners: Hugh Osmond, William McIntosh, Matthew Allen, Edward Hawkes and Marc Jonas or, where the context requires, certain vehicles or entities controlled by or associated with such persons
"TC1"	SunCap Parma TopCo Limited
"TC2"	TDR Parma TopCo Limited
"TCF"	The FSA's "Treating Customers Fairly" initiative
"TDR Capital"	TDR Capital Nominees Limited or, where the context requires, TDR Capital LLP and/or various investment funds managed by or whose investments are managed by TDR Capital LLP and/or various principals of TDR Capital LLP
"Termination Date"	June 30, 2016
"Trust Account"	The trust account established by Liberty to hold the majority of the proceeds of its initial public offering
"UK GAAP"	Generally Accepted Accounting Practice in the United Kingdom
"unit-linked policies"	A type of non-profit policy where the benefits are determined by reference to the investment performance of a specified pool of assets
"unit trust"	A mutual fund structure that allows funds to hold assets and pass investment returns through to the individual owners of the trust units
"U.S. Tax Code"	The U.S. Internal Revenue Code of 1986, as amended
"VAT"	Value added tax
"VIF"	Value in force. In effect, VIF is the net present value of the future cash flows arising from a life company's policies
"warrant agent"	RBS, as warrant agent for the Public Warrants
"Warrant Agreements"	The Public Warrant Agreement and the Insider Warrant Agreement, collectively

"Warrant Amendment"	The amendments to the Public Warrants and Insider Warrants, the consent to which is being sought from the holders of the Public Warrants under this proxy and consent solicitation statement
"warrants"	The Public Warrants and the Insider Warrants, collectively
"with profit" or **"participating"**	A life insurance contract is with profit if the policyholder is entitled to receive part of the surplus of the life company. The extent of the entitlement is usually at the discretion of the company

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LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

Annual Report for the period ended
31 December 2008

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DIRECTORS' REPORT

Annual Results for Liberty Acquisition Holdings (International) Company

Liberty Acquisition Holdings (International) Company (LAHIC) reports a net profit for the period ended 31 December 2008 of €13.1 million (EPS €0.24), which is stated after charging a share-based payment charge under International Financial Reporting Standard 2 "Share-based payment" of €2.24 million and an interest expense related to ordinary shares subject to possible redemption of €4.23 million. The shareholders' equity was €418.5 million (€5.58 per ordinary share) on 31 December 2008.

On 13 February 2008, LAHIC closed its initial public offering ("IPO") of 60,000,000 units with each unit consisting of one ordinary share and one warrant to purchase one ordinary share at a price of €7.00 per ordinary share. All of the units were sold at an offering price of €10.00 per unit and generated gross proceeds of €600.0 million. The ordinary shares issued in the IPO are referred to herein as the "IPO Shares".

LAHIC received net proceeds of approximately €572.3 million from its IPO of units and an additional €8.0 million from a concurrent private offering of 8,000,000 warrants for €1.00 per warrant. Expenses related to the offering totaled approximately €27.7 million (including approximately €9.0 million of deferred underwriting fees). Following the consummation of its IPO, €589.2 million of the net proceeds (including approximately €9.0 million of deferred underwriting fees) were deposited into a trust account. The remaining proceeds of €100,000 were retained by LAHIC for business, legal and accounting due diligence on prospective transactions and continuing general and administrative expenses. Unless and until a business combination is consummated, the proceeds held in the trust account will not be available to LAHIC, except up to €6.0 million from the interest income earned on the trust account may be withdrawn from the trust account by LAHIC to fund its working capital and to pay for business, legal, and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. This limitation on LAHIC's working capital, as well as limitations contained in LAHIC's Second Amended and Restated Memorandum and Articles of Association, will preclude it from making distributions from the trust account and effectively preclude it from declaring and paying dividends. In the event that LAHIC is unable to complete a business combination by 13 February 2010, the balance in the trust account will be distributed to LAHIC's public shareholders.

The net proceeds deposited into the trust account remain on deposit in the trust account and earned approximately €20.2 million of interest for the period ended 31 December 2008, of which €3.3 million was transferred to LAHIC's operating account. The amount in the trust account on 31 December 2008 was approximately €606.1 million. This is approximately €10.1 per ordinary share owned by LAHIC's public shareholders (60,000,000 IPO Shares) eligible to receive the proceeds of the trust account if a business combination is not consummated by 13 February 2010.

Being a blank-check company, LAHIC has recorded no revenues from operations to date as it is still looking for targets for its first acquisition. The results are therefore fully attributable to interest accrued on the amount in the trust account.

Profit distribution is at the discretion of the directors pursuant to Article 37 of the Second Amended and Restated Memorandum and Articles of Association of LAHIC.

Due to the nature of LAHIC and the absence of operational activities in the financial period 2008, the Board of Directors has not included an in-control statement in these Financial Statements. Upon consummation of a business combination, the Board of Directors will be required to establish a sound internal risk management and control system, which will be permanently monitored and complied with.

Executive Board Responsibility Statement According to Section 5:25c(2)(c) of the Dutch Financial Supervision Act ("Wft")

LAHIC's Board of Directors hereby declares that, to the best of its knowledge:

1. the Financial Statements give a true and fair view of the assets, liability, financial position and profit of LAHIC; and

2. this Directors' Report gives a true and fair view of the position of LAHIC as at the balance sheet date and of its state of affairs during the financial period of LAHIC of which the information has been included in the Financial Statements and that this Directors' Report describes the principal risks that LAHIC faces.

/s/ NICOLAS BERGGRUEN

The Board of Directors

Nicolas Berggruen
Martin E. Franklin
Dimitri Goulandris
Miguel Pais do Amaral
Ashley Silverton

14 April 2009

FINANCIAL STATEMENTS

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

BALANCE SHEET
at 31 December 2008

		31-Dec-08 €
Current assets		
Prepaid expenses		34,919
Amount in trust	note 7	606,051,959
Cash and cash equivalents	note 6	2,436,556
Total current assets		608,523,434
Total Assets		**608,523,434**
Shareholders' Equity and Liabilities		
Ordinary shares, €0.0001 par value, 300,000,000 authorised; 75,000,000 issued and outstanding (including 17,999,999 ordinary shares subject to possible redemption)		7,500
Other reserve	note 11	403,204,070
Capital redemption reserve	note 11	513
Retained earnings	note 11	15,310,402
Total Shareholders' Equity		418,522,485
Non-current liabilities		
Ordinary shares subject to possible redemption	note 8	180,990,449
Deferred underwriters' fee	note 9	9,000,000
Total non-current liabilities		189,990,449
Current liabilities		
Accrued expenses		10,500
Total current liabilities		10,500
Total Liabilities		190,000,949
Total equity and liabilities		**608,523,434**

The accompanying notes are an integral part of these Financial Statements.

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

INCOME STATEMENT
From 2 January 2008 to 31 December 2008

		31 December 08 €
Revenue		—
Advisory costs		334,419
Share-based payment charge	note 10	2,244,000
Other administrative expenses		363,057
Total administrative expenses		(2,941,476)
Interest income		20,238,337
Interest expense related to ordinary shares subject to possible redemption	note 8	(4,230,459)
Profit before taxes		13,066,402
Income tax expense		—
Profit for the period		13,066,402
Earnings per share attributable to the equity holders of the Company during the period		
Basic Earnings per Share	note 13	€ 0.24
Diluted Earnings per share	note 13	€ 0.19

The accompanying notes are an integral part of these Financial Statements.

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital €	Other Reserve €	Capital Redemption Reserve €	Retained Earnings €	Total Equity €
Balance at 2 January 2008	—	—	—	—	—
Profit for the period and total recognised income and expense for the period	—	—	—	13,066,402	13,066,402
Capital contributions of Founders' Units (20,125,000 units at €0.00124 each unit)	2,013	22,987	—	—	25,000
Capital contribution of Sponsors' Warrants	—	8,000,000	—	—	8,000,000
Issue of Share Capital in initial offering on 13 February 2008 (60,000,000 ordinary shares)	6,000	599,994,000	—	—	600,000,000
Repurchase of Founders' Units (2,875,000 units)	(288)	—	288	—	—
Redemption of Founders' Units held in trust (2,250,000 units)	(225)	—	225	—	—
Ordinary shares subject to possible redemption	—	(182,473,963)	—	—	(182,473,963)
Underwriting fee taken to equity (including €9,000,000 payable upon a business combination)	—	(21,601,800)	—	—	(21,601,800)
Expenses relating to issuing of shares taken to equity	—	(737,154)	—	—	(737,154)
Recognition of share-based payment charge under IFRS 2	—	—	—	2,244,000	2,244,000
Balance at 31 December 2008	7,500	403,204,070	513	15,310,402	418,522,485

The accompanying notes are an integral part of these Financial Statements.

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

STATEMENT OF CASH FLOWS
For the period from 2 January 2008 to 31 December 2008

	31 December 2008 €
Profit before tax	13,066,402
Adjustments for:	
Interest income	(20,238,337)
Interest expense related to ordinary shares subject to possible redemption	4,230,459
Share-based payment charge under IFRS 2	2,244,000
Cash flows from operating activities before changes in working capital:	(697,476)
Increase in prepaid expenses	(34,919)
Increase in accrued expenses	10,500
Net cash used in operating activities	*(721,895)*
Cash flows from investing activities:	
Interest received	20,238,337
Net change in cash and cash equivalents invested in trust account	(606,051,959)
Net cash used in investing activities	*(585,813,622)*
Cash flows from financing activities:	
Proceeds from issuance of units to Founders	25,000
Gross Proceeds from initial public offering	600,000,000
Proceeds from issuance of Sponsors' Warrants in private placement	8,000,000
Payments for underwriters' discounts	(18,000,000)
Cost of IPO taken against Shareholders' Surplus	(1,052,927)
Net cash generated from financing activities	*588,972,073*
Net increase/decrease in cash and cash equivalents	**2,436,556**
Cash and cash equivalents at 2 January 2008	0
Cash and cash equivalents at 31 December 2008	**2,436,556**
Supplemental schedule for non-cash financing activities	
Deferred underwriters' discount	**9,000,000**

The accompanying notes are an integral part of these Financial Statements.

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

NOTES TO FINANCIAL STATEMENTS

1. General Information

Activities of business & legal structure of the Company

Liberty Acquisition Holdings (International) Company (the "Company") was incorporated as Liberty International Acquisition Company, an exempted company with limited liability, under the Companies Law (2007 Revision) of the Cayman Islands (the "Companies Law"). The Company's registered office address is c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's executive office address is Bison Court, Road Town, Tortola, British Virgin Islands, VG1110, and its telephone number is +1 (284) 494-7605. The Company is registered with the Cayman Islands Registrar of Companies under number 202172. The Company adopted its Second Amended and Restated Memorandum and Articles of Association ("M&A") with effect from 13 February 2008.

The objects for which the Company was established are unrestricted and the Company has full power and authority to carry out any object not prohibited by the Companies Law as the same may be revised from time to time, or any other law of the Cayman Islands. However, as described in the Company's offering circular dated 25 January 2008 and the supplement thereto dated 5 February 2008, the Company was formed to acquire one or more operating businesses with principal business operations outside North America through a merger, capital stock exchange, share purchase, asset acquisition, reorganization or similar transaction. The Company's efforts in identifying prospective target businesses are not limited to a particular industry.

The Company's Board of Directors is currently comprised of Nicolas Berggruen, Martin E. Franklin, Dimitri Goulandris, Miguel Pais do Amaral and Ashley Silverton.

Corporate Governance

Due to the nature of the Company and the absence of operational activities in the financial period ended 31 December 2008, the Board of Directors has not included an in-control statement in these Financial Statements. Upon consummation of a business combination, the Board of Directors will be required to establish a sound internal risk management and control system, which will be permanently monitored and complied with.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are set forth below.

Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by European Union ("adopted IFRSs"), and are in accordance with IFRS as issued by the IASB and also in accordance with the statutory provision of Part 9, Book 2, of the Netherlands Civil Code. The Company intends to consummate a business combination within the "target business combination period" which ends on 13 February 2010 (the "Target Business Combination Period"). A successful business combination is an agreed condition for the going concern of the Company. Until the Company obtains shareholder consent for a proposed business combination, the Company's ability to continue as a going concern is still under consideration.

Presentational and functional currency

The Company's presentational and functional currency is the Euro.

New standards and interpretations not applied

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations relevant to the Company with an effective date after the date of these Financial Statements.

IFRS 2, Amendments to IFRS 2 — Vesting conditions and cancellations

IFRS 3, Business combinations (revised January 2008)

IFRS 8, Operating segments

IAS 1, Presentation of financial statements (revised September 2008)

IAS 23, Borrowing costs (revised March 2007)

IAS 27, Consolidated and separate financial statements (revised January 2008)

IFRIC 15, Agreements for the construction of real estate

Of the above standards and interpretations, all are effective from 1 January 2009 with the exception of IFRS 3 and IAS 27 which will be effective from 1 July 2009.

Based on the Company's activities in the period under review, management does not believe that implementation of these standards and interpretations will have a material impact on future Financial Statements in the period of initial application. In the event that the Company consummates a business combination during the Target Business Combination Period, management will reassess all accounting policies adopted by the Company.

Share-based payments

Under IFRS 2 "Share-based payment", where warrants are granted, the fair value of those warrants at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of warrants that eventually vest. Market vesting conditions are factored into the fair value of the warrants granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of warrants are modified before they vest, the increase in the fair value of the warrants, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Interest income

Interest income is recognised on a time proportioned basis using the effective interest method.

Taxation

The Company is incorporated in the Cayman Islands and its income is not subject to taxation in the Cayman Islands.

There is no deferred tax as a matter of Cayman Islands law.

Segment reporting

The Company currently has no activities, except for seeking to accomplish a business combination. Therefore segment reporting is not relevant for these Financial Statements.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at banks with related and third parties. It includes deposits held on call with related parties and with original maturities of three months or less.

Equity

Ordinary shares subject to possible redemption are classified as a financial liability and recorded at fair value on initial recognition and at amortised cost thereafter. All other ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options classified as equity are shown in equity as a deduction, net of tax, from the proceeds to the extent that they relate to those shares classified as equity. Those costs attributable to the ordinary shares subject to possible redemption are deducted from the financial liability and amortised over the expected term of the financial liability.

Earnings per share

Earnings per share (EPS) have been calculated based on the time-weighted number of shares in issue during the period.

Financial assets

The Company classifies its financial assets depending on the purpose for which the asset was required.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Financial liabilities

The Company classifies its financial liabilities depending on the purpose for which the liability was required.

Other financial liabilities: Trade payable and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Further details of other financial liabilities are disclosed in note 4.

3. Financial Instruments — Risk Management

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Financial Statements.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- cash at bank or held in trust; and
- loans and other payables

Financial assets	Loans & Receivables €
Amount in trust	606,051,959
Cash and cash equivalent	2,436,556
Total	608,488,515

Financial liabilities	Financial liabilities at amortised cost €
Funds attributable to ordinary shares subject to possible redemption	180,990,449
Deferred underwriters fee	9,000,000
Accrued expenses	10,500
Total	190,000,949

Maturity analysis

The Company has classified 29.99% of its IPO Shares as liabilities, as they are subject to possible redemption. At the balance sheet date, the total amount classified as a liability is €180,990,449, which includes interest income earned to date on these funds. The amount that would be payable on a shareholder voting against a business combination and requesting redemption will include any interest income earned on these funds from the date of issue to the date of redemption. Therefore the amount that may become payable will include any future interest income that may be earned on these funds. The Target Business Combination Period expires on 13 February 2010, however a redemption may occur at any time before that date. The full terms of this arrangement are discussed in note 11.

Capital Management

The Company defines as capital the balance of "Total Shareholders' Equity" plus the proceeds (and accrued income) relating to the ordinary shares subject to possible redemption.

It is the Company's policy to be equity financed and not to take on any external debt.

General objectives, policies and processes

The Company's Board of Directors has overall responsibility for the determination of the Company's risk management objectives and polices and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board of Directors is to set polices that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set forth below:

Liquidity risk

Liquidity risk arises from the Company's management of working capital. Pursuant to the Investment Management Trust Agreement between the Company and the trustee thereunder (the "Trust Agreement") up to €6.0 million from the interest income earned on the trust account may be withdrawn from the trust account by the Company to fund its working capital and to pay for business, legal, and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

Credit risk

The funds held in the Trust Account are invested in government securities (which includes instruments issued or backed by an institution controlled or supervised by a governmental entity) so as to minimise credit risk. The maximum exposure to credit risk is the same as the carrying value of these financial assets. The Company does not have any marketable investments and so there is no market price risk. The funds are invested in Euro denominated deposit accounts and so there is an element of interest rate risk. The Company's annual interest income and net profit will increase (decrease) by about €6.0 million for every percentage point increase/(decrease) in the interest rate. There is no significant difference between the fair value of these financial instruments and their carrying value.

Foreign currency risk

As all of the Company's funds are invested in Euro denominated accounts, there is a currency risk if the Company decides to invest outside of the Eurozone. At the balance sheet date, a one percentage point increase or decrease in the Euro against another currency would, effectively, increase or decrease the amount of foreign currency obtainable by the equivalent of €6.0 million. At the balance sheet date, the Company had no significant liabilities denominated in a foreign currency.

4. Use of Estimates and Judgments

Estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Ordinary shares subject to possible redemption

Shareholders who vote against any proposed business combination and request redemption may be entitled to the repayment of their share of the proceeds of the IPO, plus the interest income that has accrued on those proceeds (less up to €6.0 million that may be withdrawn from the trust account by the Company to fund its working capital and other expenses). The Company will not consummate a business combination if shareholders who hold 30% or more of the IPO Shares vote against the business combination and exercise their redemption rights. These Financial Statements assume that any proposed combination will be approved and that 29.99% of the members will exercise their right to redeem their IPO Shares. Therefore 29.99% of the

proceeds of the original IPO, and the related interest income, has been classified as a liability rather than equity.

Share-based payment

The Company issued and sold to Berggruen Acquisition Holdings II Ltd. and Marlin Equities IV, LLC (collectively, the "Sponsors") an aggregate of 8,000,000 warrants ("Sponsors' Warrants") in a private placement immediately prior to the consummation of its IPO. The fair value of the Sponsors Warrants is estimated by using a binominal valuation model on the date of issue based on certain assumptions, including the expected life, risk free rate, volatility and dividend yield. These assumptions and other details relating to the Sponsors' Warrants are described in note 10 to these Financial Statements. The terms and conditions of the Sponsors' Warrants are described in note 11 to these Financial Statements.

The units that were issued in connection with the Company's incorporation consisted of one share and one warrant. The Directors' consider the fair value of these units to be equal to the issue price and therefore no share-based payment charge arose.

Deferred underwriting fee

The Company has a liability to the underwriter of its IPO, payable upon the consummation of a business combination, of €9,000,000. This liability is conditional, but the Board of Directors is of the opinion that this amount should be accounted for on the face of the balance sheet, at nominal value.

5. Related Party Transactions

On 4 January 2008, the one ordinary share issued at formation was transferred to Berggruen Acquisition Holdings Ltd (an affiliate of Berggruen Acquisition Holdings II Ltd.) and one additional ordinary share was issued to Marlin Equities IV, LLC. These two shares were subsequently repurchased by the Company on 11 January 2008.

Nicolas Berggruen is the President of Berggruen Acquisition Holdings II Ltd. and Martin Franklin is the majority owner and managing member of Marlin Equities IV, LLC. The interests of these directors in the ordinary shares of the Company represent the interests of Berggruen Acquisition Holdings II Ltd. and Marlin Equities IV, LLC respectively. On 9 January 2008, each of Berggruen Acquisition Holdings II Ltd., Marlin Equities IV, LLC, and the Company's three initial independent directors, Dimitri Goulandris, Guy Naggar and Miguel Pais do Amaral (collectively, the "Founders") issued a non-interest bearing note in favor of the Company for the purchase price of the Founders' ordinary shares ("Founders' Shares") and warrants (Founders' Warrants") in the aggregate amount of €25,000. These notes were repaid by the Founders on 28 January 2008. On 10 January 2008, 20,125,000 units (each unit consisting of one Founders' Share and one Founders' Warrant and together referred to herein as a "Founders' Unit") were issued as follows:

	Units	Subscription Price
		€
Berggruen Acquisition Holdings II Ltd.	9,934,505	12,341
Marlin Equities, IV, LLC	9,934,505	12,341
Dimitri Goulandris	85,330	106
Guy Naggar	85,330	106
Miguel Pais do Amaral	85,330	106
Total	20,125,000	25,000

On 11 January 2008, each of Berggruen Acquisition Holdings II Ltd. and Marlin Equities IV, LLC agreed to invest €4.0 million (€8.0 million in the aggregate) in the Company in the form of Sponsors' Warrants to

purchase 4,000,000 shares (8,000,000 in the aggregate) at a price of €1.00 per warrant. Each of Berggruen Acquisition Holdings II Ltd. and Marlin Equities IV, LLC purchased such Sponsors' Warrants from the Company immediately prior to the consummation of the IPO on 13 February 2008.

On 11 January 2008, each of Berggruen Acquisition Holdings II Ltd. and Marlin Equities IV, LLC agreed to invest €25.0 million and Mr. Naggar agreed to invest €10.0 million (€60.0 million in the aggregate) in the Company in the form of co-investment units at a price of €10.00 per unit immediately prior to the consummation of a business combination.

On or about 5 February 2008, in connection with the pricing of the IPO, the Company repurchased an aggregate of 2,875,000 of the Founders' Units as follows:

	Units	Repurchase Price
		€
Berggruen Acquisition Holdings II Ltd.	1,419,215	1,760
Marlin Equities, IV, LLC	1,419,215	1,760
Dimitri Goulandris	12,190	15
Guy Naggar	12,190	15
Miguel Pais do Amaral	12,190	15
Total	2,875,000	3,565

On 11 March 2008, as a result of the expiration without exercise of the underwriters over-allotment option in connection with the IPO, Founders' Units were automatically redeemed as follows.

	Units
Berggruen Acquisition Holdings II Ltd.	1,110,690
Marlin Equities, IV, LLC	1,110,690
Dimitri Goulandris	9,540
Guy Naggar	9,540
Miguel Pais do Amaral	9,540
Total	2,250,000

On 29 October 2008, Guy Naggar resigned from the Board of Directors and agreed to forfeit his Founders' Shares and Founders' Warrants, which forfeiture shall be effected by the Company's repurchase of his Founders' Shares at par value (and the concurrent cancellation of his Founders' Warrants) upon the approval by the Company's shareholders and the Company's consummation of a business combination. On 29 October 2008, the Company's Board of Directors appointed Ashley Silverton to fill the vacancy on the Board of Directors. The Company paid Mr. Silverton €10,000 as compensation for his agreeing to fill this vacancy and agreed to pay Mr. Silverton a fee in the amount of €636,000 upon the consummation of a business combination. In connection with his appointment to the Board of Directors, Mr. Silverton resigned his position as vice president of the Company.

Prior to the IPO, the Company agreed to pay Berggruen Holdings Ltd, an affiliate of Mr. Berggruen, a total of €10,000 per month commencing on the date of the IPO for certain operating services and support until the earlier of the Company's consummation of a business combination or its liquidation. This arrangement with Berggruen Holdings Ltd was agreed to by Berggruen Holdings Ltd for the Company's benefit and is not intended to provide Berggruen Holdings Ltd compensation in lieu of a management fee. The Company believes that such fees are at least as favorable as it could have obtained from an unaffiliated third party. Prior to the IPO, Berggruen Holdings Ltd provided the Company with certain operating services and support at no charge.

Other than part of the €10,000 per month for operating services and support payable to Berggruen Holdings Ltd, the €1,000 per month fee payable to Mr. Silverton for his services as an officer of the Company, the €10,000 payment to Mr. Silverton for his agreeing to fill the vacancy on the Board of Directors following Mr. Naggar's resignation, the €636,000 fee payable to Mr. Silverton upon the consummation of a business combination and reimbursable out-of-pocket expenses payable to the Company's officers and directors, no compensation or fees of any kind, including finders and consulting fees, have been or will be paid to the Company's officers or its directors who owned the Company's shares prior to the IPO, or to any of their respective affiliates for services rendered to the Company prior to or in connection with a business combination.

At 31 December 2008 there were no balances outstanding with any related parties.

6. Cash and Cash Equivalents

The cash and cash equivalents are at the free disposal of the Company. Due to the fact that funds from the trust account are not at the free disposal of the Company (see note 7), there is a short term cash deficit until the process of achieving a business combination is completed. This deficit is funded from the trust account pursuant to the Trust Agreement whereby up to €6.0 million from the interest income earned on the trust account may be withdrawn from the trust account by the Company to fund its working capital and to pay for business, legal, and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

7. Trust Account

The trust account is held at Goldman Sachs, International, London branch and consists of the net proceeds of the IPO, the proceeds of the sale of the Founders' Units sold to the Founders prior to the consummation of the IPO (after giving effect to the repurchases and redemptions described in note 5 above), the proceeds of the sale of the Sponsors' Warrants and €9,000,000 of the underwriting fee that the underwriters have agreed to defer until the consummation of a business combination. Release of this amount is not at the discretion of the Company. The amounts held in the trust account will only be released to the Company upon the consummation of a business combination, as set forth in the offering circular dated 25 January 2008 and the supplement thereto dated 5 February 2008. The trust account is under supervision of the trustee under the Trust Agreement. If the Company liquidates prior to a business combination, the Company will distribute the funds in the trust account to its public shareholders entitled to share ratably in the trust account (see note 11).

8. Ordinary Shares Subject to Possible Redemption

As detailed in note 11 to these Financial Statements, if a majority of the IPO Shares are voted in favor of approval of a business combination, the Company will not consummate such business combination if shareholders who hold 30% or more of the IPO Shares vote against such business combination and exercise their redemption rights. Accordingly, up to 30% of the IPO Shares may be redeemed for a *pro rata* portion of the funds held in the trust account in connection with a business combination. Therefore this amount, net of its share of related issue costs and underwriting fees, has been removed from equity and reclassified as a financial liability. The related issue costs and underwriting fees are being amortised over the expected life of this liability, which is two years. At each balance sheet date the amount recognised as a liability is a 29.99% share of the balance on the trust account (which consists of the original proceeds plus interest income earned to date) less the unamortised issue costs and underwriting fees. The interest expense recognised in the income statement is the increase in the balance on these liabilities.

9. Underwriting Fee

Part of the underwriting fee has been paid and the remaining (amounting to €9,000,000) will be payable upon the consummation of the Company's initial business combination.

10. Shared-Based Payment

The Company issued and sold to the Sponsors the Sponsors' Warrants in a private placement immediately prior to the consummation of its IPO. The Sponsors' Warrants have the same terms and conditions as of the warrants underlying the Founders' Units issued to the Founders in connection with the Company's incorporation. The details of the term and conditions of the warrants are disclosed in note 10. The fair value of the Sponsors' Warrants is estimated by using a binominal valuation model on the date of issue based on certain assumptions.

The following information is relevant in the determination of the fair value of the Sponsors' Warrants:

Share price: €10.00

Exercise price: €7.00

Expected life: an expected life equal to the maturity of the option of 5 years is used.

Risk free rate: 3.422%, which being the yield on German Government Bonds on 13 February 2008

Volatility: 26%, which is the average of volatility of a sample of 10 companies with a similar market capitalization.

Dividend yield: zero

The Sponsors' Warrants were valued at €2.23 on the date of issue before taking account of the trading restriction for the period of one year after the Company consummates a business combination. The value is reduced to €1.56 on the date of issue after taking into consideration the restriction, using 30% discount. As the Sponsors paid €1.00 for the warrants, the difference in value of €0.56 is required to be booked as an IFRS 2 charge, that is, €4.488 million for the Sponsors' Warrants. The fair value of €4.488 million is charged over the two year vesting period. For the period ended 31 December 2008, €2.244 million has been recognised as a share-based payment charge. All 8,000,000 warrants were outstanding at the period end.

11. Shareholders' Equity

The following describes the nature and purpose of each reserve within shareholders' equity:

Reserve	Description and purpose
Share capital	Nominal value of ordinary shares, classified as equity, issued and outstanding
Other reserve	Premium paid for ordinary shares issued and outstanding, net of issue costs
Capital redemption reserve	Reserve amounts transferred from share capital on redemption of issued shares
Retained earnings	Cumulative net gains and losses recognised in the income statement

Authorised capital

The Company's authorised share capital is €30,100 divided into 300,000,000 ordinary shares and 1,000,000 preferred shares, each having a nominal value of €0.0001. The Company's M&A authorises its

Board of Directors to approve the terms of any preferred shares and issue such preferred shares without the approval of its shareholders.

As of the date of this annual report, there were 75,000,000 ordinary shares of the Company outstanding. Shareholders have voting rights for the election of the Company's directors and all other matters requiring shareholder action. Shareholders are entitled to one vote per share on matters to be voted on by shareholders and also are entitled to receive such dividends, if any, as may be declared from time to time by the Company's Board of Directors in its discretion out of funds legally available therefor. Upon the Company's liquidation, its public shareholders will be entitled to receive pro rata all assets remaining available for distribution to public shareholders after payment of all liabilities.

In connection with the vote required for the Company's initial business combination, each of its Founders has agreed to vote the shares owned by them immediately before the IPO in accordance with the majority of the shares validly voted by the Company's public shareholders. Furthermore, each of the Founders has agreed that they will vote any shares acquired by them in or after the IPO in favor of a proposed business combination. The Founders have agreed to act together for the purpose of voting the Company's shares. If any matters are voted on by the Company's shareholders at a general or extraordinary general meeting, the Founders may vote all their shares, whenever acquired, as they see fit. On consummation of the Company's initial business combination, its underwriters will be entitled to receive the deferred discounts and commissions then held in the trust account, exclusive of interest thereon.

The Company will proceed with the business combination only if (i) a majority of the shares held by public shareholders are voted in favor of the business combination and (ii) public shareholders owning less than 30% of the IPO Shares exercise their rights to request redemption. Voting against the business combination alone will not result in redemption of a shareholder's shares for a pro rata share of the trust account. A shareholder must have also exercised, at the same time as voting against the business combination, the rights to request redemption for a redemption to be effective.

If the Company liquidates prior to a business combination, the Company has agreed in the Trust Agreement that its public shareholders are entitled to share ratably in the trust account, inclusive of any interest not previously released to the Company to fund working capital and other expense requirements. Liquidation expenses will only be paid from funds held outside of the trust account. If liquidation expenses are greater than the funds available outside of the trust account, each of Mr. Berggruen and Mr. Franklin have agreed to advance the Company the funds necessary to complete such liquidation. If the Company does not complete an initial business combination and the trustee must distribute the balance of the trust account pursuant to the Trust Agreement, the Company's underwriters have agreed that: (i) they will forfeit any rights or claims to their deferred discounts and commissions, including any accrued interest thereon, then in the trust account and (ii) the deferred discounts and commissions will be distributed on a pro rata basis among the public shareholders, together with any accrued interest thereon and net of income taxes payable on such interest. Each of the Founders has agreed to waive their respective rights to participate in any liquidating distribution occurring upon the Company's failure to consummate a business combination with respect to their Founders' Shares.

Except for the Warrants described in these Financial Statements, the Company's shareholders have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the shares, except that public shareholders may exercise their rights to request redemption if they vote against the business combination and the business combination is approved and completed. Public shareholders who exercise their rights to request redemption will retain the right to exercise any warrants they own if they previously purchased units or warrants.

Issuance of shares

On 10 January 2008, the Company issued 20,125,000 units to the Founders, each unit is comprised of one ordinary share and one warrant to purchase one ordinary share. On 13 February 2008, the Company issued 60,000,000 units by means of the IPO. On 5 February 2008, the Company redeemed 2,875,000 Founders' Units. On 11 March 2008, 2,250,000 Founders' Units that were held in trust were automatically redeemed by the Company. On 10 March 2008, all units were split into the ordinary shares and warrants. As at 31 December 2008, a total of 75,000,000 ordinary shares are issued and outstanding and the Company has agreed to keep 83,000,000 additional ordinary shares available for issuance in connection with the outstanding Warrants.

The table below contains the reconciliation of the number of outstanding shares.

	Units	Ordinary Shares	Warrants
Balance at 2 January 2008:	—	—	—
Changes in the number of shares in the period ended 31 December 2008:			
Issuance to Founders (10 January 2008)	20,125,000	20,125,000	20,125,000
Sponsors' Warrants (11 January 2008)	—	—	8,000,000
Redemption from Founders (5 February 2008)	(2,875,000)	(2,875,000)	(2,875,000)
Initial Public Offering (13 February 2008)	60,000,000	60,000,000	60,000,000
Redemption from Founders held in trust (11 March 2008)	(2,250,000)	(2,250,000)	(2,250,000)
Division of Units into Shares and Warrants	—	—	—
Balance at 31 December 2008	—	**75,000,000**	**83,000,000**

Preferred shares

Currently no preferred shares have been issued.

Warrants

The Company has 83,000,000 warrants outstanding each to purchase one ordinary share at a price of €7.00 per share, subject to adjustment as discussed below, at any time commencing on the consummation of a business combination.

The warrants will expire at the close of trading on Euronext Amsterdam (5:30 p.m., Central European time) on the first business day after 6 February 2013 or earlier upon redemption or liquidation. Once the warrants become exercisable, the Company may call the warrants for redemption:

- in whole but not in part,
- at a price of €0.01 per warrant,
- upon not less than 30 days' prior written notice of redemption to each warrant holder, and
- if, and only if, the reported last sale price of the share equals or exceeds €13.75 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.

If the foregoing conditions are satisfied and the Company issues notice of redemption of the warrants, each warrant holder shall be entitled to exercise their warrant prior to the scheduled redemption date. However, the price of the shares may fall below the redemption trigger price or the warrant exercise price after the redemption notice is issued.

If the Company calls the warrants for redemption as described above, it will have the option to require any holder that wishes to exercise its warrant (including the Founders' Warrants) to do so on a "cashless basis." If the Company takes advantage of this option, all holders of warrants would pay the exercise price by surrendering its warrants for that number of shares equal to the quotient obtained by dividing (x) the product of the number of shares underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of shares for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants. If the Company takes advantage of this option, the notice of redemption will contain the information necessary to calculate the number of shares to be received upon exercise of the warrants, including the "fair market value" in such case. Requiring a cashless exercise in this manner will reduce the number of shares to be issued and thereby lessen the dilutive effect of a warrant redemption. If the Company calls all of its warrants for redemption and it does not take advantage of this option, the Founders and their respective transferees would still be entitled to exercise their Founders' Warrants and Sponsors' Warrants, as applicable, for cash or on a cashless basis using the same formula described above that other warrant holders would have been required to use had all warrant holders been required to exercise their warrants on a cashless basis, as described in more detail below.

Special circumstances

In the event that the Company does not consummate a business combination by 13 February 2010 the Company will automatically commence liquidation pursuant to the terms of its M&A. At such time, the Company's liquidator will instruct the trustee under the Trust Agreement to distribute only to the Company's public shareholders the remaining amount in the trust account (including any accrued interest then remaining in the trust account) plus any remaining net assets (subject to the Company's provisions for creditors, including taxes and liquidation costs), if any, as part of the Company's liquidation which will follow the same procedures as if the Company's shareholders had resolved to place the Company in voluntary liquidation under the Companies Law.

The Company anticipates that its liquidator would distribute to its public shareholders the amount in the trust account (including any accrued interest) plus any remaining net assets (subject to the Company's provision for creditors, including taxes and liquidation costs) after having given creditors at least 21-days' notice of its appointment by notice in the Cayman Islands Official Gazette, as part of its liquidation, unless the liquidator is satisfied that no creditors would be adversely affected in which case the distribution may be made sooner. Each of the Founders has agreed to waive their rights to participate in any liquidating distribution with respect to the Founders' Shares if the Company fails to consummate a business combination. There will be no distribution from the trust account with respect to any of the Company's warrants, and all rights attached to all of the Company's warrants will terminate on commencement of liquidation.

12. Shareholders' Surplus

The 60,000,000 units issued by the Company on 13 February 2008 were issued at a price of €10.00 per unit. The total amount of shareholders' equity amounts €418,522,485.

13. (Diluted) Earnings Per Share

The earnings per share amount to €0.24 (€0.19 diluted). These amounts have been calculated as follows:

Earnings per share calculation	Basic	Diluted
Profit attributable to ordinary shareholders (numerator)	13,066,402	—
Diluted earnings (no adjustments)	—	13,066,402
Average number of shares (time-weighted) basic (denominator)	53,475,209	—
Average number of shares (time-weighted) diluted (denominator)	—	68,914,403
Earnings per share (EPS)	€0.24	€0.19

The average number of shares has been calculated based on the issue dates of the various shares. The dilution is calculated based on the assumption that the outstanding warrants will be effectuated.

During the period under review the holders of the Founders' Shares waived their respective rights to participate in any liquidating distribution occurring upon the Company's failure to consummate a business combination. Therefore, taking this period in isolation, the Founders' Shares are not entitled to any share of the profits attributable to ordinary shareholders. However, these Financial Statements have been prepared on the going concern basis, assuming that a business combination does take place. Once such a combination has been successfully consummated the Founders' Shares and the public shares will rank pari passu in all of the Company's net assets. Therefore the Basic EPS has been calculated using the full profit attributable to the ordinary shareholders and the full number of ordinary shares classified as equity.

The diluted earnings per share takes into account the dilutive effect of the warrants. The effects of the potential reclassification as equity of the 17,999,999 ordinary shares subject to possible redemption (which are currently classified as liabilities) are anti-dilutive.

14. Auditors' Remuneration

Auditors' remuneration for the period was approximately €135,000.

OTHER INFORMATION

1. Liberty Acquisition Holdings (International) Company Report of the Independent Auditors

To the shareholders of Liberty Acquisition Holdings (International) Company

Report on the financial statements

We have audited the company financial statements (the "financial statements") of Liberty Acquisition Holdings (International) Company (the "company") for the period ended 31 December 2008 which comprise the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the director's report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view.

Our report has been prepared in accordance with our engagement letter dated 14 April 2009 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report in accordance with our engagement letter dated 14 April 2009 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, of the state of the company's affairs as at 31 December 2008 and of the company's profit for the period then ended.

Emphasis of Matter

We draw attention to note 2 to the financial statements, which describes the major uncertainty relating to the going concern consideration of the company. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

/s/ BDO STOY HAYWARD LLP

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

14 April 2009

2. Profit Available for Distribution According to the Articles of Association

Profit distribution is at the discretion of the directors pursuant to Article 37 of the Second Amended and Restated Memorandum and Articles of Association of LAHIC.

PEARL GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARL GROUP LIMITED

We have audited the Group and parent Company accounts (the "financial statements") of Pearl Group Limited for the year ended 31 December 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, and the related notes 1 to 41. These financial statements 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 financial statements 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 financial statements 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 financial statements 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 financial statements.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 financial statements 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 financial statements.

Opinion

In our opinion:

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

Ernst & Young LLP
Registered Auditor
London
27 June 2009

PEARL GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Technical account for long-term business
For the year ended 31 December 2008

	Notes	31 Dec 08 Acquisition £m	31 Dec 08 Continuing £m	31 Dec 08 Total £m	Restated 31 Dec 07 £m
Gross premiums written	2	823	507	1,330	491
Outward reinsurance premiums	2	(72)	(4)	(76)	(3,858)
Earned premiums, net of reinsurance		751	503	1,254	(3,367)
Investment income	3	1,751	1,012	2,763	1,243
Other technical income	4.1	240	233	473	141
Total technical income		2,742	1,748	4,490	(1,983)
Gross claims paid		(3,605)	(2,075)	(5,680)	(2,191)
Reinsurers' share		115	306	421	309
Net claims paid		(3,490)	(1,769)	(5,259)	(1,882)
Change in the gross and net provision for claims		20	11	31	6
Claims incurred, net of reinsurance		(3,470)	(1,758)	(5,228)	(1,876)
Change in gross long-term business provision — Change in insurance contracts (note 24)		1,083	671	1,754	270
— Change in investment contracts with discretionary participation features (note 24)		1,233	1,220	2,453	696
Change in reinsurers' share		(40)	(139)	(179)	3,837
Change in long-term business provision		2,276	1,752	4,028	4,803
Change in technical provisions for linked liabilities, net of reinsurance		1,922	743	2,665	(264)
Change in non-linked gross investment contracts without discretionary participation features		(2)	—	(2)	—
Change in technical provisions, net of reinsurance		4,196	2,495	6,691	4,539
Net operating expenses	1.1	(251)	(121)	(372)	(105)
Investment expenses and charges	3	(537)	(932)	(1,469)	(215)
Unrealised losses on investments	3	(2,823)	(1,516)	(4,339)	(259)
Other technical charges	1.2	—	(150)	(150)	(102)
Taxation (charge)/credit attributable to the long-term business	5.1	(40)	154	114	40
Transfer from the fund for future appropriations	23	251	96	347	44
Balance on the technical account — long-term business		68	16	84	83

PEARL GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT — (Continued)
Non-technical account
For the year ended 31 December 2008

	Notes	31 Dec 08 Acquisition £m	31 Dec 08 Continuing £m	31 Dec 08 Elimination £m	31 Dec 08 Total £m	Restated 31 Dec 07 £m
Balance on the long-term business technical account		68	16	—	84	83
Taxation attributable to balance on long-term business technical account	5.1	27	(11)	—	16	36
Shareholders' pre-tax profit from long-term business		95	5	—	100	119
Investment income	3	100	167	(98)	169	87
Unrealised (losses)/gains on investments	3	(24)	(405)	12	(417)	—
Investment expenses and charges	3	(139)	(72)	—	(211)	(54)
Other income	4.2	67	142	(67)	142	32
Other charges	1.2	(649)	(57)	148	(558)	(8)
(Loss)/profit on ordinary activities before taxation		(550)	(220)	(5)	(775)	176
Taxation (charge)/credit on (loss)/profit on ordinary activities	5.1	(2)	36	—	34	(35)
(Loss)/profit on ordinary activities after taxation		(552)	(184)	(5)	(741)	141
Minority interest	22	7	(1)	125	131	—
(Loss)/profit on ordinary activities attributable to shareholders		(545)	(185)	120	(610)	141

PEARL GROUP LIMITED

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

	Notes	31 Dec 08 Acquisition £m	31 Dec 08 Continuing £m	31 Dec 08 Elimination £m	31 Dec 08 Total £m	Restated 31 Dec 07 £m
(Loss)/profit for the financial year		(545)	(185)	120	(610)	141
Fair value adjustment on available for sale financial assets		—	2	—	2	(2)
Actuarial (losses)/gains on pension scheme	34.2.3/34.3.4	(3)	(158)	1	(160)	(11)
Tax on items taken directly to equity		1	44	—	45	3
Foreign exchange movements		18	—	(5)	13	—
Total recognised (losses)/gains arising in the year		(529)	(297)	116	(710)	131
Prior year adjustment (see accounting policies)					9	
Total (losses)/gains recognised since last report and accounts					(701)	

PEARL GROUP LIMITED

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	31 Dec 08 £m	Restated 31 Dec 07 £m
ASSETS			
Intangible assets			
Goodwill	8	345	(76)
Present value of future profits (note 9.2)		36	68
Present value of acquired in force long-term business	9.1	843	8
Deferred origination costs	10	17	21
Other intangible assets	11	2	—
		1,243	21
Investments			
Land and buildings	12	1,787	460
Investments in joint venture			
— share of gross assets		570	468
— share of gross liabilities		(500)	(338)
— loans		18	18
	13.1	88	148
Investments in associates	13.2	286	693
Other financial investments	14.1	59,011	24,039
		61,172	25,340
Assets held to cover linked liabilities	16	10,595	3,963
Reinsurers' share of technical provisions			
Long-term business provision		6,446	3,850
Claims outstanding		257	15
Technical provisions for unit linked liabilities		39	—
		6,742	3,865
Debtors			
Debtors arising out of direct insurance operations	17.1	23	14
Debtors arising out of reinsurance operations	17.2	29	—
Other debtors	17.3	702	88
		754	102
Other assets			
Tangible assets	18	39	4
Cash at bank and in hand	33.3	1,850	976
		1,889	980
Prepayments and accrued income			
Accrued interest and rent		581	268
Other prepayments and accrued income		102	18
		683	286
Total assets excluding pension scheme		83,078	34,557
Pension scheme	34.3.5	51	—
Total assets		83,129	34,557

PEARL GROUP LIMITED

CONSOLIDATED BALANCE SHEET — (Continued)
At 31 December 2008

	Notes	31 Dec 08 £m	Restated 31 Dec 07 £m
LIABILITIES			
Capital and reserves			
Called up share capital	20.2	596	596
Subordinated loans	21	289	289
Foreign exchange reserve	21	13	—
Profit and loss account	21	(351)	592
Equity shareholders' funds	21	547	1,477
Minority interest	22	2,893	2
Fund for future appropriations	23	580	312
Gross technical provisions			
Long-term business provision			
— Insurance contracts (note 24)		38,809	12,065
— Investment contracts with discretionary participation features (note 24)		10,819	6,894
Claims outstanding	25	659	135
		50,287	19,094
Technical provisions for linked liabilities	26	10,633	3,963
		60,920	23,057
Financial liabilities			
Derivative liabilities	15	3,555	311
Non linked investment contract without discretionary participation features		248	—
Net assets attributable to unit holders		2,334	—
Obligation for repayment of collateral received		4,621	3,531
		10,758	3,842
Provision for other risks			
Deferred taxation	27.1	—	21
Other provisions	28	139	76
		139	97
Deposits received from reinsurers (note 14.2.3)		3,984	3,647
Creditors			
Creditors arising out of direct insurance operations		48	1
Creditors arising out of reinsurance operations		23	—
Debenture loans	29.2	1,710	391
Amounts owed to credit institutions	29.3	277	328
Other creditors including taxation and social security	30	917	1,353
		2,975	2,073
Accruals and deferred income		231	50
Total liabilities excluding pension scheme		83,027	34,557
Pension scheme	34.2.4	102	—
Total liabilities		83,129	34,557

The accounts were approved by the Board of Directors on 27 June 2009 and signed on its behalf by:

Director

PEARL GROUP LIMITED

COMPANY BALANCE SHEET
At 31 December 2008

	Notes	31 Dec 08 £m	Restated 31 Dec 07 £m
Fixed assets			
Investments	41.1	2,851	3,039
Current assets			
Debtors	41.2	17	47
Investments	41.3	11	294
Cash at bank		37	33
		65	374
Creditors: amounts falling due within one year	41.4	(1,071)	(1,693)
Net current liabilities		(1,006)	(1,319)
Total assets less current liabilities		1,845	1,720
Creditors: amounts falling due after more than one year	41.5	(839)	(440)
Deferred taxation	41.7	(7)	(7)
Net assets excluding pension liability		999	1,273
Pension liability		(102)	—
Net assets including pension liability		897	1,273
Capital and reserves			
Called up share capital	20.2	596	596
Subordinated loan	41.8	289	289
Profit and loss account	41.8	12	388
Equity shareholders' funds	41.8	897	1,273

The accounts were approved by the Board of Directors on 27 June 2009 and signed on its behalf by:

Director

PEARL GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2008

	Notes	31 Dec 08 Acquisition £m	31 Dec 08 Continuing £m	31 Dec 08 Elimination £m	31 Dec 08 Total £m	31 Dec 07 £m
Operating activities						
Net cash inflow/(outflow) from operating activities	33.1	265	(1,030)	—	(765)	1,249
Returns on investments and servicing of finance						
Interest paid		(175)	(101)	—	(276)	(70)
Interest received		32	33	—	65	15
Dividends paid to minority interest		(8)	—	—	(8)	—
Debt issue costs		(91)	—	—	(91)	—
Net cash outflow from servicing of finance		(242)	(68)	—	(310)	(55)
Tax						
Group relief received/(paid)		38	—	—	38	(1)
Capital expenditure and financial investments						
New loan investments		(83)	(86)	—	(169)	—
Loans repaid		—	32	—	32	—
Tangible fixed assets		—	(1)	—	(1)	(4)
Part disposal of subsidiary undertaking		—	—	—	—	2
Net cash outflow from capital expenditure and financial investments		(83)	(55)	—	(138)	(2)
Acquisitions and disposals						
Net cash outflow from acquisitions and disposals	33.2	(2,993)	(359)	359	(2,993)	—
Equity dividends paid						
Equity dividends paid		—	(101)	—	(101)	(33)
Financing activities						
Issue of share capital		2,078	—	(2,078)	—	—
Issue of share capital by Impala Holdings Limited to minority interest		—	—	1,719	1,719	—
New loans		6,066	110	—	6,176	—
Repayment of loans		(4,093)	(32)	—	(4,125)	—
Net cash inflow/(outflow) from financing activities		4,051	78	(359)	3,770	—
Net cash flows available for investment		1,036	(1,535)	—	(499)	1,158
Cash flows were invested as follows:						
Increase in cash holdings	33.6	196	4	—	200	58
Net purchases/(sales) of investments	33.6	840	(1,539)	—	(699)	1,100
Net investment of cash flows		1,036	(1,535)	—	(499)	1,158

The Consolidated Cash Flow Statement does not include any amounts relating to long-term business except cash transactions between the long-term business and shareholder funds and movements in cash held by the Pacific fund.

ACCOUNTING POLICIES

Basis of preparation

The consolidated accounts of the Pearl Group Limited (the "Company") and its subsidiary undertakings (the "Group") have been prepared in accordance with the special provisions for insurance groups of Section 255A of, and Schedule 9A to the Companies Act 1985 except as noted for land and buildings (see accounting policy below). The entity accounts of the Company have been prepared in accordance with Schedule 4 to the Companies Act 1985. The consolidated accounts have also been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments, and comply with the UK Statement of Recommended Practice on Accounting for Insurance Business (SORP) issued by the Association of British Insurers in 2005 and amended in 2006.

As the results of the Company are being presented together with its consolidated accounts, no profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985 and the Company has taken advantage of the exemption contained in FRS 1 (revised 1996) to parent companies in respect of their single-entity accounts, by not preparing a cash flow statement. The Company has also taken advantage of the exemption given in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group or investees of the Group qualifying as related parties. In addition, the Company has taken advantage of the exemption in FRS 29 by not disclosing information on financial instruments disclosures as permitted by the standard.

Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year using consistent accounting policies. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal as appropriate. Where there is a loss of control of a subsidiary, the consolidated accounts include the results for the part of the reporting year during which the Group has control. Minority interests represent the equity interests in subsidiaries not held by the Group.

Interests in Property Limited Partnerships (PLPs) and Jersey Property Unit Trusts (JPUTs) within the long-term business which effect or establish policyholders' rights or are otherwise held as part of the Group's investment portfolio are accounted for as subsidiaries, joint ventures, associates or other financial investments depending on the holdings of the Group and on the level of influence and control that the Group exercises. Where the interest is managed by a contractual agreement such that no one party exerts control, notwithstanding the Group's share, both direct and indirect, may be greater than 50%, such interests have been accounted for as joint ventures. Where the interest is managed by a contractual agreement, such that the Group can exercise a significant influence, but one other party controls the partnership, such interests have been accounted for as associates. Where the Group holds minority stakes, with no disproportionate influence, the relevant investments are included in other financial investments at their market value.

Interests in Collective Investment Schemes (CIS) are accounted for as subsidiaries where the Group exercises overall control. The third party interest in the CIS is classified as a liability and shown in the consolidated balance sheet as net asset value attributable to unit holders. Certain of the CIS have non-coterminous balance sheet dates and are consolidated on the basis of additional financial statements prepared to the balance sheet date.

Principal associated undertakings (both associates and joint ventures) are accounted for by the equity method in the consolidated accounts. The profit or loss in respect of interests in associated undertakings attributable to the long-term business fund are treated as investment income within the technical account for long-term business.

Prior year adjustments

The consolidated accounts have been prepared to include the financial effect of cash collateral security received by the Group in connection with its stock lending and derivative activities and its subsequent investment in financial assets in the name of the Group. In previous years, the cash collateral was not recognised as a liability and the investments made were not recognised as assets. Accordingly, the balance sheet of the Group at 31 December 2007 has been restated to reflect an increase of £3,497m in both total assets and total liabilities from £31,060m (as previously reported) to £34,557m. The increase in total assets comprises other financial investments, cash at bank and in hand and accrued interest of £3,152m, £332m and £13m respectively. The increase in total liabilities comprises increases / (decreases) in obligations for repayment of collateral received, accruals, long-term business provision — insurance contracts, fund for future appropriations and profit and loss reserve of £3,531m, £10m, £(32)m, £(4)m and £(8)m respectively. This restatement had £nil impact on consolidated net asset at 1 January 2007.

In relation to this restatement, the 2007 non-technical profit and loss account has recognised an additional loss of £8m which has emerged as an unrealised loss on investments. There is no impact on the balance on the technical account for long-term business for 2007, but this restatement has resulted in additional income / (expenses) being recognised within the long term technical profit and loss account as follows: £136m investment income; £4m other technical income; £32m change in long term business provision; £4m transfer from the fund for future appropriations; £(136)m investment expenses; £(44)m unrealised losses on investments and £4m other technical charges.

Following a review of the terms of the upper tier 2 subordinated loan agreement, the balance sheet of the Group at 31 December 2007 has been restated to reflect the £289m subordinated loan, previously recognised as a debenture loan, as equity. In relation to this restatement, the 1 January 2007 profit and loss reserves has recognised an additional £17m of profit, reflecting the reversal of the accrued interest on the subordinated loan and the 2007 non-technical profit and loss has recognised an additional profit of £35m, reflecting the 2007 interest paid being transferred directly to the profit and loss reserves.

General business

Basis of accounting

The result of the general insurance business is included within other technical income in the technical account for long-term business.

Claims

Provision is made for the estimated cost of claims, including claims incurred but not reported after taking into account handling costs, anticipated inflation and settlement trends. Any difference between the estimated provision and subsequent settlement is dealt with in the technical accounts of later years.

Classification of contracts

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

Insurance contracts and investment contracts with discretionary participation features (DPF)

Premiums

Long-term insurance contract premiums, investment contracts with DPF and annuity considerations are credited when they become due, which for single premium business is the date from which the policy is effective. For regular premium contracts, receivables are recorded at the date when payments are due. Reinsurance premiums are charged when they are payable.

Funds at retirement under individual pension contracts left with the Group are classified as new business single premiums and for accounting purposes are included in both claims incurred and as single premiums within gross premiums written.

Claims

Claims on insurance contracts and investment contracts with DPF reflect the cost of all claims arising during the period, including policyholder bonuses allocated in anticipation of a bonus declaration. Claims payable on maturity are recognised when the claim becomes due for payment and on death are accounted for on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within the long-term business provision. Where claims are payable and the contract remains in force, the claim instalment is accounted for when due for payment. Claims payable include the costs of settlement.

Long-term business provision for insurance contracts and investment contracts with DPF

Participating business

The provision for participating, or with profits, business is calculated initially to comply with the requirements of the Financial Services Authority's realistic capital regime, as set out in section 1.3 of the Prudential Sourcebook for Insurers. The results are then adjusted to exclude the shareholders' share of future bonuses and the associated tax liability and to deduct amounts recognised for the present value of future profits on non participating business written in the with profits fund. The principal assumptions are given in note 24.

Non participating business

The long-term business provision for non participating non linked business is calculated initially to comply with the requirements under the Prudential Sourcebook for Insurers using a gross premium valuation method or a method at least as prudent as the gross premium method. The provision is adjusted where necessary to remove excessively prudent margins required for statutory solvency purposes by eliminating the undistributed surplus carried forward together with general contingency reserves and reserves required under the Prudential Sourcebook for Insurers.

The provision includes allowance for prudent lapses and also allows policies with no guaranteed surrender values and policies where guaranteed surrender values only become applicable after a specified period of time, in the periods where they do not have guaranteed surrender values, to have negative values. The principal assumptions are given in note 24.

Deferred acquisition costs

Acquisition costs, comprising all direct and indirect costs arising from the conclusion of non participating insurance contracts, are deferred as an explicit acquisition cost asset, gross of tax. This asset is amortised over the period in which the costs are expected to be recoverable out of margins from matching revenues from related policies and in accordance with the pattern of such margins. At the end of each accounting period, deferred acquisition costs are reviewed for recoverability, by category, against future margins from the related policies in force at the balance sheet date.

Profit recognition and the fund for future appropriations

The Group has adopted the modified statutory solvency basis approach in the determination of profit on non participating business.

Surpluses arising from participating business, as a result of the annual actuarial valuation of the related assets and liabilities, are subject to appropriation by the directors of the relevant life company subsidiaries to participating policyholders, by way of bonuses, and to shareholders. The shareholders' share of the appropriated surplus determines the profit reported in respect of participating business. All surplus in other business is attributable to shareholders and included in profit.

The fund for future appropriations (FFA) comprises the shareholders share of the inherited estate of the Group's closed participating businesses and other shareholder items only. The policyholders' share of this estate is included within the long-term business provision.

Present value of future profits on non participating business in the with profits fund

In determining the realistic value of liabilities for with profits contracts the value of future profits on non participating business written in the with profits fund is taken into account. Although not separately identifiable, the long-term business provision, or where appropriate, the contingent loan valuation, includes the excess of the value of those future profits that are taken into account in calculating the realistic liabilities. Since it is not possible to apportion the future profits on this non participating business between the amount relating to the policyholder liabilities and the business held in the long-term business provision or the contingent loan, the present value of future profits (PVFP) on this business is recognised as an asset and changes in its value are recorded in the long-term business technical account. Where the future profits on this non participating business are fully attributable to the long-term business provision, the PVFP is deducted in arriving at the long-term business provision.

The value of the PVFP is determined in accordance with the FSA's realistic capital regime. The principal assumptions used to calculate the PVFP are the same as those used in calculating the long-term business provision given in note 24.

Investment contracts without DPF

Receipts and payment on investment contracts without DPF are accounted for using deposit accounting, under which the amounts collected and paid out are recognised in the balance sheet as an adjustment to the liability to the policyholder.

Revenue from investment contracts

Revenue from investment contracts comprises amounts assessed against policyholders' account balances for policy administration and surrender charges and are recognised as the related services are provided and presented as other technical income.

Technical provisions for linked liabilities on investment contracts without DPF

The technical provision in respect of linked business is determined by reference to the value of the underlying assets that are held to meet these liabilities. Where the surrender value of such contracts exceeds the value determined by reference to underlying assets, the difference is recognised as part of the long-term business provision.

Deferred origination costs

Origination costs, comprising all incremental costs arising from the conclusion of investment contracts are deferred as an explicit intangible asset, gross of tax. This asset is amortised over the period in which the costs are expected to be recoverable out of margins from matching revenues from related policies and in accordance with the pattern of such margins. Deferred origination cost amortisation is presented within net operating expenses in the technical account for long-term business. At the end of each accounting period, deferred origination costs are reviewed for recoverability, by category, against future margins from the related policies in force at the balance sheet date.

Investment income, realised and unrealised gains and losses on investments

Dividends are included as investment income on the date that the right to receive payment has been established. Interest income is recognised as the interest accrues using the effective yield method. Rental income on investment properties is accounted for on a straight line basis over the lease term on ongoing leases.

Gains and losses (both realised and unrealised) on financial assets designated as at fair value through profit or loss are recognised in the consolidated profit and loss account. Unrealised gains and losses on available for sale assets are recognised in the consolidated statement of total recognised gains and losses; realised gains and losses are transferred to the consolidated profit and loss account.

Realised gains and losses on investments are calculated as the difference between the net sales proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their original cost, or if they have been previously revalued, the valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the period also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Goodwill

Goodwill arising on acquisitions, being the difference between the fair value of the purchase consideration and the fair value of net assets acquired, is capitalised in the balance sheet and amortised over its useful economic life or twenty years if shorter. Negative goodwill up to the fair value of non-monetary assets acquired is recognised in the consolidated profit and loss account in the periods in which the non-monetary assets are recovered. Any negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised in the consolidated profit and loss account in the periods expected to be benefited. The carrying value of goodwill is reviewed for impairment at the end of the first full year following an acquisition and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Land and buildings

Included within land and buildings is investment property, which is property held to earn rentals and/or for its capital appreciation. Investment property is initially measured at cost including all transaction costs and is subsequently stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the consolidated profit and loss account in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the consolidated profit and loss account in the year of derecognition.

In accordance with SSAP19 “Investment Properties”, no depreciation is provided on land and buildings. This is a departure from the Companies Act 1985 which requires all properties to be depreciated. However, these properties are held solely for investment purposes and management consider that systematic depreciation would be inappropriate. Depreciation is only one of the factors reflected in the annual valuation of properties and the amounts which might otherwise have been shown cannot reasonably be separately identified or quantified. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view.

Financial instruments

Financial assets — Group

Debt securities, equity securities and holdings in authorised collective investment schemes are measured at fair value and designated as at fair value through profit and loss in accordance with the documented risk strategy of the Group. Gains and losses arising from changes in fair value on assets designated as at fair value through profit and loss are included in the consolidated profit and loss account. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the

effective interest method. Gains and losses are recognised in the profit and loss account through the amortisation process. Regular way purchases and sales of financial assets are accounted for at trade date.

Financial assets — Company

Investments in shares in subsidiary undertakings are included at cost less any provision for impairment where circumstances indicate that the carrying value may not be recoverable. Investments in loans to subsidiary undertakings are designated as loans and receivables and valued at amortised cost. Investments in contingent loans to subsidiary undertakings are designated as a loan and receivable valued at amortised cost, containing an embedded derivative reflecting the contingent nature of the loan recognised at its fair value. Fair value is measured by reference to the contingent loan liability in the subsidiary undertaking.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. The Group first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

Financial liabilities

Non-linked liabilities are stated at amortised cost. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Any difference between the proceeds, net of transaction costs and the redemption value is recognised in the consolidated profit and loss account over the period of the financial liability using the effective interest method.

Derivative financial instruments

The Group uses derivative financial instruments to mitigate against market, liquidity and credit 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 consolidated profit and loss account. Derivative financial instruments include swaps, swaptions, futures, forwards and option contracts, all of which derive their value mainly from the underlying interest rates, foreign exchange rates, equity and debt instruments.

Fair value estimation

The fair value of financial instruments traded in active markets such as publicly traded securities and derivatives are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price on the trade date. The fair value of investments that are not traded in an active market is determined using valuation techniques. The fair value of shares and other variable yield securities and of derivative financial instruments, are estimated using pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the balance sheet date. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

For units in unit trusts and shares in open ended investment companies, fair value is by reference to published bid-values. The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The fair value of fixed-interest bearing deposits is estimated using discounted cash flow techniques.

Stock lending

Financial assets that are lent under the Group's stock lending programme do not qualify for derecognition from the balance sheet as the Group retains substantially all of the risks and rewards of the transferred assets.

Collateral

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions, derivative contracts and reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Group receives collateral depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash and which is not legally segregated from the Group is recognised as an asset on the balance sheet with a corresponding liability for its repayment. Non-cash collateral received is not recognised on the balance sheet.

Collateral pledged in the form of assets and which is legally segregated from the Group is derecognised from the balance sheet with a corresponding receivable for its return. Non-cash collateral pledged is not derecognised from the balance sheet unless the Group defaults on its obligations under the relevant agreement, and therefore continues to be recognised on the balance sheet within the appropriate asset classification.

Present value of acquired in force business

The present value of acquired in force business (PVIF) is recognised in the balance sheet as an asset. To the extent that the acquired PVIF will be recognised as profit over the remaining lifetime of the related in force policies, it is amortised on a systematic basis, and the discount unwound, over the anticipated lives of the related contracts of the portfolios. The carrying value of the asset is reviewed for impairment at the end of the first full year following an acquisition and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Any amortisation or impairment charge is recorded as other charges in the non-technical account. The principal assumptions used to calculate the PVIF are the same as those used in calculating the long-term business provision given in note 24.

Tangible assets

Tangible assets are capitalised and depreciated by equal annual instalments over their estimated useful economic lives of between 3 and 10 years.

Taxation

The Group 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 consolidated profit and loss account.

Expenses and assets are recognised net of the amount of VAT except where this tax is not wholly recoverable, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item. Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

The transfer from the long-term business account to the non-technical account is grossed up at the longer term effective rate of corporation tax.

Employee benefits

The Group provides employees with retirement benefits through both defined benefit and defined contribution plans. The assets of these plans are generally held separately from the Group'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 consolidated balance sheet net of the associated deferred tax. The Group'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 consolidated statement of total recognised gains and losses. Contributions to the defined contribution scheme are charged to the consolidated profit and loss account as they become payable in accordance with the rules of the scheme.

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.

Operating leases

Rental payments under operating leases are charged to the consolidated profit and loss account.

Foreign currencies

Transactions in currencies other than sterling are recorded at the rate appropriate at the time of accounting for the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are converted at the year-end spot rate. For monetary assets and liabilities within the long-term funds the resulting exchange adjustments are included within the technical account. For assets and liabilities held outside of the long-term funds any resulting exchange adjustments are taken to the non-technical account.

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

GOING CONCERN ASSUMPTIONS

The financial statements of the Group and the Company have been prepared on the going concern basis. In adopting the going concern basis the Group has undertaken a comprehensive review of the valuation and liquidity of its investments as at the balance sheet date. The Group has also prepared solvency and cash flow projections under both normal and stressed conditions. Factors considered in the stressed conditions included, but were not limited to:

- The need for certain payments and asset transfers from regulated entities within the Group to be disclosed to and approved in accordance with the FSA issued Own Initiative Variation of Permission;
- The potential impact of the contingent liabilities stated in note 37, including the pricing of certain derivative backed hedging instruments within the with profit funds of the Group's subsidiaries;
- Settlement of the adjustments to the initial consideration payable to Royal London (see note 38.6.3 and note 40);
- Provision of agreed cash contributions in 2009 and for the subsequent ten year period from 2010 to 2019 to the Pearl Group Staff Pension Scheme (see note 40); and
- The potential failure of material reinsurers (see note 38.6.1).

Potential strains on cash flow requirements of the Group are mitigated by the ability of the Company and Impala to defer interest payments on the subordinated loans in issue to their equity investors and by the ability of PGH1L to defer the coupon payable on the £500m Perpetual Reset Capital Securities it has in issue.

The directors believe that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and that the FSA will continue to approve payments from regulated entities as requested. In addition, the subsidiaries of the Group continue to forecast that they are able to meet their regulatory capital positions in stressed conditions. Whilst some conditionality exists within the agreement between the Company and the Pearl Group Staff Pension Scheme (see note 40), the directors do not expect the cash contributions payable by the Company to change materially.

In addition, to further strengthen and improve financial flexibility of the Group and the Company, the Group's shareholders have been in consultation with the FSA and other key stakeholders regarding both the FSA's ongoing and future capital requirements for the Group and the availability of funding. As a result, the Group's shareholders have entered agreements to sell their interests in the Group in exchange for shares to be issued in Liberty, a Euronext listed entity. On completion the acquisition by Liberty together with the agreements reached with the Group's other stakeholders is anticipated to substantially improve the financial flexibility of the Group including making appropriate additional capital available. If the acquisition by Liberty is not completed, then it is likely an alternative capital restructuring of the Company and Impala's shareholders will be effected with their respective banking syndicates and other key stakeholders of the Group.

After making enquiries, taking into consideration the above matters, the directors consider that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

PEARL GROUP LIMITED

NOTES TO THE ACCOUNTS

1. Net operating expenses and other charges

1.1 Net operating expenses

	31 Dec 08 £m	31 Dec 07 £m
Acquisition costs:		
Commission	14	—
Other	10	—
Change in deferred origination costs (note 10)	4	5
Change in deferred acquisition costs (note 19)	—	2
Administrative expenses	344	98
	372	105

1.2 Other technical charges and other charges

	Technical Account Long-Term Business		Non-Technical Account	
	31 Dec 08 £m	Restated 31 Dec 07 £m	31 Dec 08 £m	31 Dec 07 £m
Movement in PVFP (note 9.2)	32	6	—	—
Amortisation of PVIF (note 9.1)	—	—	54	—
Impairment of PVIF (note 9.1)	—	—	206	—
Amortisation of goodwill (note 8)	—	—	13	—
Movement in deposits received from reinsurers	116	96	—	—
Debt issue costs and related expenses	—	—	98	—
Other technical charges	2	—	—	—
Other charges	—	—	187	8
	150	102	558	8

The financial statements for the year ended 31 December 2008 include exceptional costs within other charges totalling £23m in respect of the estimated redundancy costs to be incurred and the anticipated costs associated with the lease of office premises resulting from the closure of the Glasgow and Peterborough offices scheduled for 2010 and 2011 respectively.

1.3 Analysis of staff costs

Staff costs comprise:	31 Dec 08 £m	31 Dec 07 £m
Salaries and wages	137	29
Social security costs	11	3
Pension costs	8	3
Total	156	35

1.4 Average employee numbers

The average number of employees of the Group during the year ended 31 December 2008 was 840 (31 December 2007: 225).

1.5 Auditors' remuneration

	31 Dec 08 £m	31 Dec 07 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.4	0.1
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	2.6	0.6
Other services pursuant to legislation	0.8	0.2
Other services relating to taxation	0.3	—
All other services	1.5	0.3
	5.6	1.2

2. Segmental information

The Group comprises two segments — life and asset management. The Group has negligible overseas operations. The segmental information disclosed below includes subsidiaries and businesses acquired from their respective acquisition dates.

In the light of the acquisition of the Resolution Group on 1 May 2008 the directors have reviewed the segmental disclosures of the Group and have concluded that separate disclosures should be made for the Group's life and asset management operations. In previous years the Group's asset management operation was not material and the Group reported just one segment. The comparative amounts for 2007 have been restated.

	Life £m	Asset Management £m	Eliminations £m	Total £m
31 December 2008				
Segmental revenue				
Gross premiums written	1,330	—	—	1,330
Outward reinsurance premiums	(76)	—	—	(76)
Earned premiums, net of reinsurance	1,254	—	—	1,254
Fees and commissions				
— external	—	62	—	62
— internal	—	54	(54)	—
	1,254	116	(54)	1,316
Segmental(loss)/profit on ordinary activities before taxation	(543)	14	—	(529)
Corporate interest income				22
Corporate interest expense				(112)
Impairment of corporate debt asset				(58)
Debt issue costs and related expenses				(98)
Loss on ordinary activities before taxation				(775)
Segmental net assets employed	3,274	383	—	3,657
Corporate debt				(366)
Minority interest				(2,744)
Total net assets				547

	Life £m	Asset Management £m	Eliminations £m	Total £m
31 December 2007				
Segmental revenue				
Gross premiums written	491	—	—	491
Outward reinsurance premiums	(3,858)	—	—	(3,858)
Earned premiums, net of reinsurance	(3,367)	—	—	(3,367)
Fees and commissions				
— external	—	—	—	—
— internal	—	15	(15)	—
	(3,367)	15	(15)	(3,367)
Segmental profit on ordinary activities before taxation	174	1	—	175
Corporate interest income				21
Corporate interest expense				(20)
Profit on ordinary activities before taxation				176
Segmental net assets employed	1,472	4	—	1,476
Corporate debt				3
Minority interest				(2)
Total net assets				1,477

3. Investment return

	Technical Account Long-Term Business		Non-Technical Account	
	31 Dec 08 £m	Restated 31 Dec 07 £m	31 Dec 08 £m	Restated 31 Dec 07 £m
Income from loans and receivable at amortised cost	88	12	35	29
Income from financial assets at fair value through profit and loss	2,812	1,188	95	56
Income from other financial investments	2,900	1,200	130	85
Loss from participating interests	(197)	(39)	—	—
Income from land and buildings	60	7	—	—
Gains on realisation of investments	—	75	28	—
Net expected return on pension assets	—	—	11	2
Investment income	2,763	1,243	169	87
Unrealised losses	(4,339)	(259)	(417)	—
Investment management expenses and charges	(88)	(53)	(3)	—
Interest cost on pension assets (note 34.3.3)	—	—	(4)	—
Losses on realisation of investments	(1,084)	—	—	(3)
Interest expense on financial liabilities at amortised cost	(297)	(162)	(204)	(51)
Investment expenses and charges	(1,469)	(215)	(211)	(54)
Total investment return	(3,045)	769	(459)	33

Net (losses)/gains on financial assets at fair value through profit and loss included in total investment return are:

	Technical Account Long-Term Business		Non-Technical Account	
	31 Dec 08 £m	Restated 31 Dec 07 £m	31 Dec 08 £m	31 Dec 07 £m
Assets designated upon initial recognition	(7,265)	(270)	1	30
Assets held for trading	1,739	108	8	(24)
	(5,526)	(162)	9	6

Included with unrealised losses in the long-term business technical account are asset impairment charges of £93m (2007: £nil) on loans and receivables.

Interest income/(expenses) for financial liabilities not at fair value through profit and loss comprises:

	Technical Account Long-Term Business		Non-Technical Account	
	31 Dec 08 £m	Restated 31 Dec 07 £m	31 Dec 08 £m	Restated 31 Dec 07 £m
Loans	(185)	(26)	(175)	(34)
Obligation for repayment of collateral received	(112)	(136)	—	—
Other creditors	—	—	(29)	(17)
Technical provisions for linked liabilities (note 26)	2,666	(264)	—	—
Investment contracts with DPF	1,412	(109)	—	—
Non-linked investment contracts without DPF	(2)	—	—	—
	3,779	(535)	(204)	(51)

The interest expense relating to financial liabilities at amortised cost in respect of investment contracts without DPF (Technical provisions for linked liabilities) and non-linked investment contracts without DPF are included in the long-term business technical account as the "change in technical provisions for linked liabilities, net of reinsurance" and "change in non-linked gross investment contracts without DPF".

The income expense in respect of investment contracts with DPF is calculated as the increase in the realistic liability for those contracts not attributable to amounts received from, or paid to, policyholders and is presented within the long-term business technical account under the heading "change in long-term business provision".

The interest expense in respect of obligation for repayment of collateral received is calculated by reference to the Sterling OverNight Index average or the Euro OverNight Index Average.

4. Other income

4.1 Other technical income

	Technical Account Long-Term Business	
	31 Dec 08 £m	Restated 31 Dec 07 £m
Investment contract income	60	54
Change in contingent loan liabilities (note 32)	110	85
Change in other internal capital support	98	—
General insurance business	6	—
Net assets attributable to unit holders	138	—
Other	61	2
	473	141

The change in the value of the shareholder assets corresponding to the changes in contingent loan liabilities and other internal capital support set out above are included within unrealised losses in the non-technical account (note 3).

4.2 Other income

Other income includes £33m amortisation of negative goodwill and elements of the profit before tax on the asset management business.

5. Taxation

5.1 Taxation

	Technical Account Long-Term Business		Non-Technical Account	
	31 Dec 08 £m	31 Dec 07 £m	31 Dec 08 £m	31 Dec 07 £m
United Kingdom corporation taxation				
Current tax charge/(credit) for the year	143	22	(87)	—
Overseas taxation	11	1	—	—
Adjustments for previous years	(116)	(38)	(2)	(7)
	38	(15)	(89)	(7)
Tax attributable to the balance on long-term business technical account	—	—	16	36
Total current taxation	38	(15)	(73)	29
Deferred taxation				
Origination and reversal of timing differences:				
• On profit arising from changes in assumptions used for determining insurance contracts in accordance with PS06/14	(80)	—	—	—
• Utilisation of deferred tax asset	17	2	44	—
• Excess expenses and deferred acquisition costs	(23)	7	—	—
• Movement in unrealised chargeable gains	(63)	(26)	—	—
Recognition of previously unrecognised tax loss/tax credit	(14)	—	(9)	—
Other	(4)	(7)	—	2
Decrease in discount	15	(1)	—	—
Total (credited)/charged to deferred taxation	(152)	(25)	35	2
Charged to staff pension scheme				
Origination and reversal of timing differences	—	—	4	4
Total deferred taxation	(152)	(25)	39	6
Total tax (credit)/charge	(114)	(40)	(34)	35

After taking into account reliefs to which the Group is entitled, UK corporation tax on taxable profits attributable to shareholders has been accounted for at the rate of 28.5% (2007: 30%). The tax rate for the life policyholders is 20%.

5.2 Factors affecting tax charge for year

The tax assessed in the year is higher than the standard rate of corporation tax in the UK and the differences are explained below.

The standard rate of tax has been determined by using the UK rate enacted for the financial year in which the profits will be taxed.

	31 Dec 08 £m	Restated 31 Dec 07 £m
(Loss)/profit on ordinary activities before taxation	(775)	176
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30)%	(221)	53
Effects of:		
• Non-taxable book losses on revaluation of long-term business	76	27
• Non-taxable realised losses on investments	23	(25)
• Amortisation and impairment of value of inforce business	74	—
• Non-taxable goodwill write back	(6)	(2)
• Other disallowable expenses	14	3
• Timing differences other than on long-term business	(4)	(7)
• Adjustment to taxation charge in prior years	(2)	(7)
• Current taxation losses surrendered for £nil value	2	1
• Non taxable income	(3)	(3)
• On items charged directly to shareholders funds	(42)	(11)
• Unrealised losses on investments	16	—
Current taxation (credit)/charge for the year	(73)	29

6. Dividends

	31 Dec 08 £m	31 Dec 07 £m
Interim ordinary paid dividends:		
16.95p per £1 share (2007: 5.60p per £1 share)	101	33

During the year the Company declared dividends of £152m. Hera Investments One Limited which owns 50% of the issued share capital of the Company, waived its entitlement to £51m of these dividends.

7. Directors' emoluments

	31 Dec 08 £'000	31 Dec 07 £'000
Emoluments (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	8,121	2,080
Contributions to money purchase pension schemes	12	—
Number of directors who:		
— are members of a defined benefit pension scheme	1	—
— are members of a money purchase pension scheme	1	—

	31 Dec 08 £'000	31 Dec 07 £'000
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)	1,625	622
Contributions to money purchase pension schemes	12	—

The emoluments disclosed in the notes to these accounts are in respect of the directors with qualifying services for 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 the Company 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 Company's Directors and employees, each of whom is a potential beneficiary of the Trust. Amounts contributed to the Trust are included in the amout expensed for wages and salaries.

The Company 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 the Company has allocated amounts into discretionary sub-funds for the benefit of particular Directors and their families. Amounts in the sub-funds have been included in the relevant Director's emoluments for the purposes of these accounts.

8. Goodwill

	Negative Goodwill £m	Positive Goodwill £m	Total £m
Cost			
At 1 January 2008	(351)	—	(351)
Acquisition of Resolution plc (note 39)	—	401	401
At 31 December 2008	(351)	401	50
Amortisation and impairment			
At 1 January 2008	275	—	275
Amortisation for the year	—	(13)	(13)
Amortisation for the year (note 4.2)	33	—	33
At 31 December 2008	308	(13)	295
Net book value			
At 31 December 2007	(76)	—	(76)
At 31 December 2008	(43)	388	345

Goodwill of £401m was created upon the acquisition of Resolution plc (see note 39) and is being amortised on a straight line basis over the directors' estimate of its useful economic life of 20 years.

The carrying value of goodwill has been tested for impairment at the balance sheet date. No impairment has resulted as the carrying value of this intangible asset continues to exceed its value in use at 31 December 2008 of £405m. Value in use has been determined as the present value of the future cash flows associated with the asset management business and Service company of the ex-Resolution group. The cash flows used in this calculation are consistent with those adopted by management in the Group's operating plan and beyond the

period of this plan, reflecting the anticipated run-off of life insurance business. Future cash flows have been valued using a discount rate of 9.8%.

9. Present value of future profits

9.1 Present value of acquired in force long-term business

	£m
Cost	
At 1 January 2008	8
Acquisition of Resolution plc (note 39)	1,095
At 31 December 2008	1,103
Amortisation and impairment	
At 1 January 2008	—
Amortisation for the year (note 1.2)	(54)
Impairment for the year (note 1.2)	(206)
At 31 December 2008	(260)
Net book value	
At 31 December 2007	8
At 31 December 2008	843

Present value of acquired in force long-term business ("PVIF") of £1,095m was created upon the acquisition of Resolution plc.

The carrying value of PVIF has been tested for impairment at the balance sheet date and an impairment of £206m has been recognised reflecting adverse economic conditions. This intangible asset is held at a carrying value at 31 December 2008 of £843m. Value in use has been determined as the present value of the future cash flows associated with the in force long-term business acquired through the acquisition of Resolution plc. The cash flows used in this calculation are consistent with those used to determine policy holder liabilities as reported in the consolidated balance sheet. These future cash flows are underpinned by a number of assumptions including mortality and longevity rates, persistency rates and economic assumptions including expense inflation. Further details on the assumptions adopted are provided in note 24 to the accounts. Future cash flows are valued using a discount rate which reflects the risk inherent in each cash flow. This rate is set as being equal to the risk free rates derived from the gilt yield curve at 31 December 2008 with an addition of 10 bps (2008: 3.84%).

9.2 Present value of future profits on non participating business in the with profits fund

The value of the PVFP is determined in accordance with the FSA's realistic capital regime. The principal assumptions used to calculate the PVFP are the same as those used in calculating the long-term business provision given in note 24.

During the year £32m (2007: £6m) of PVFP was released to the technical account for long-term business.

10. Deferred origination costs

	£m
At 1 January 2008	21
Decrease in period (note 1.1)	(4)
At 31 December 2008	17

11. Other intangible assets

	£m
Cost	
At 1 January 2008	
Acquisition of Resolution plc (note 39)	8
At 31 December 2008	8
Amortisation and impairment	
At 1 January 2008	—
Amortisation for the year	(6)
At 31 December 2008	(6)
Net book value	
At 31 December 2007	—
At 31 December 2008	2

12. Land and buildings

	Freehold £m	Long Leasehold £m	Total £m
At 1 January 2008	130	330	460
Arising on acquisition of Resolution plc	1,504	366	1,870
Additions	2	20	22
Disposals	(102)	(27)	(129)
Deficit on revaluation	(330)	(106)	(436)
At 31 December 2008	1,204	583	1,787
Land and buildings at cost:			
At 31 December 2007	102	256	358
At 31 December 2008	1,546	616	2,162

The valuation of land and buildings is carried out at least every three years as at 31 December by external surveyors in accordance with the Royal Institution of Chartered Surveyors' requirements under an open market valuation basis.

Other than for leasehold properties where the lease has less than twenty years unexpired term, no provision is made for depreciation of investment properties.

Leasehold properties include £259m (2007: £296m) property reversions arising from sales of the NPI Extra Income Plan. The reversionary interest is valued as the NPI Limited and National Provident Life Limited ("NPLL") proportion of the current market value, projected for the lifetime of the policyholder at the assumed future increase in house prices, then discounted back by the valuation rate of interest.

13. Investments in participating interests

13.1 Investments in joint venture

	Long-Term Business £m
At 1 January 2008	148
Loss for the year after taxation	(60)
At 31 December 2008	88

13.2 Investments in associates

	Long-Term Business Share of Capital and Reserves £m	Loans £m	Non Long-Term Business Loans £m	Total Carrying Value £m
At 1 January 2008	420	245	28	693
Operating loss for the period after taxation	(137)	—	—	(137)
Distributions	(7)	(6)	(6)	(19)
Disposals	(164)	(75)	(12)	(251)
Movements in the year	(308)	(81)	(18)	(407)
At 31 December 2008	112	164	10	286

14. Other financial investments

14.1 Other financial investments

The Group's other financial investments are summarised by measurement category as follows:

	31 Dec 08		31 Dec 07	
	Carrying Value £m	Cost £m	Restated Carrying Value £m	Restated Cost £m
At fair value through profit and loss:				
Designated upon initial recognition	53,488	55,241	22,923	22,216
Derivative financial instruments — held for trading (note 15)	4,364	137	612	158
Loans and receivables at amortised cost	1,159	1,343	221	221
Available for sale	—	—	283	285
Total other financial investments	59,011	56,721	24,039	22,880

Included within loans and receivables at amortised cost are loans of £170m (2007: £174m) with related parties (note 36).

The other financial investments of the Group can be further analysed as:

	Note	31 Dec 08 Carrying Value £m	31 Dec 08 Cost £m	31 Dec 07 Restated Carrying Value £m	31 Dec 07 Restated Cost £m
Share and other variable yield securities and units in unit trusts		9,822	10,904	7,260	6,293
Debt securities and other fixed income securities		42,996	43,629	15,199	15,459
Deposits with credit institutions		670	708	747	749
Derivative assets	15	4,364	137	612	158
Loans and receivables at amortised cost		1,159	1,343	221	221
		59,011	56,721	24,039	22,880
Listed investments included above		49,166	49,272	23,355	21,427

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 on the trade date. For units in unit trusts and shares in open ended investment companies, fair value is by reference to published bid values. The carrying value of floating rate and overnight deposits with credit institutions is their fair value. The fair value of fixed-interest bearing deposits is estimated using discounted cash flow techniques. The fair value of investments that are not traded in an active market is determined using valuation techniques. The fair value of shares and other variable yield securities and of derivative financial instruments, are estimated using pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the balance sheet date. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. The fair value of loans and receivables at amortised cost is £978m (2007: £221m).

Included within other financial investments at 31 December 2008 is £11m (2007: £10m) held in escrow accounts by the Company for additional contributions into the Pearl Group Staff Pension Scheme.

The Group's financial assets determined by valuation techniques using non observable inputs are based on a combination of independent third party evident and internally developed models. Third party evidence in the form of net asset valuation statements, are used in the valuation of the majority of indirect property and all private equity and hedge funds. Broker quotes are received for certain bonds where the market is considered to be inactive. Internally developed models have been used in the valuation of a small number of indirect property investments, the key assumptions in the model have been the discount factor and the exit yield.

The value of financial investments determined by valuation techniques using non observable inputs is £3,372m (2007: £2,373m) comprising of indirect property, private equity and hedge funds of £2,379m (2007: £1,936m), bonds of £825m (2007: £437m) and other assets valued using internal models of £168m (2007: £nil). The amount of unrealised losses relating to the change in fair value of these investments is £251m (2007: £53m) in the long-term business technical profit and loss account and £5m (2007: £1m gain) in the non-technical profit and loss account.

The valuation of assets using internally developed models is sensitive to changes in interest rates. An increase of 1% in interest rates, with all other variables held constant, would result in a decrease in fair value of £22m. A decrease of 1% in interest rates, with all other variables held constant, would result in an increase in fair value of £40m.

14.2 Collateral

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions, certain derivative contracts and loans in order to reduce the credit risk of these transactions. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

14.2.1 Stock lending

The Group lends listed financial assets held in its investment portfolio to other institutions. The Group conducts its stocklending programme only with well-established, reputable institutions in accordance with established market conventions.

The financial assets do not qualify for derecognition as the Group retains all the risks and rewards of the transferred assets except for the voting rights. The carrying amounts of listed financial assets lent at 31 December 2008 that have not been derecognised amounted to £3,528m (2007: £3,025m).

It is the Group's practice to obtain collateral in stocklending transactions, usually in the form of cash or marketable securities. Certain cash collateral is available to the Group for investment purposes and is therefore recognised as a financial asset, recorded as "Other financial investments" and a liability, recorded as "Obligation for repayment of collateral received" on the balance sheet. The amount recognised as "Other financial investments" and "Obligations for repayment of collateral received" at 31 December 2008 is £3,476m (2007: £3,152m) and £3,707m (2007: £3,199m) respectively. Other collateral is held on behalf of the Group and is not recognised on the balance sheet as the Group is not permitted to sell or re-pledge the collateral in the absence of default.

The reinvested assets are primarily AAA listed securities and cash and the Group also has other readily realisable financial assets which are available to settle the collateral liabilities if required.

14.2.2 Derivatives

The Group purchases derivative financial instruments in connection with the management of its insurance contracts and investment contracts liabilities, based on the principles of reduction of risk and efficient portfolio management.

Where the Group has entered into collateral arrangements to provide security against the maturity proceeds of derivative financial instruments, which include a legal right of set off and it is intended that settlement will be made on a net basis, the value of the derivatives and the related collateral are presented on a net basis within other creditors (note 30). For all such arrangements, interest is payable on the amounts owed based on the Sterling Overnight Index Average. Certain cash collateral is available to the Group for investment purposes and is therefore recognised as a financial asset and a liability, recorded as "Obligations for repayment of collateral received" on the balance sheet. At 31 December 2008 the amount of collateral recognised as a financial asset and "Obligations for repayment of collateral received" amounted to £916m (2007: £332m) and £914m (2007: £332m).

Where collateral has been pledged by the Group and the right of set off is only enforceable on the occurrence of a particular future event then the pledged asset continues to be recognised by the Group. On the same basis the Group does not recognise collateral pledged by counterparties.

14.2.3 Deposits received from reinsurers

It is the Group's practice to obtain collateral to cover certain reinsurance transactions, usually in the form of cash or marketable securities. Certain cash collateral is available to the Group for investment purposes and is therefore recognised as deposits received from reinsurers on the balance sheet. The total collateral

recognised within deposits received from reinsurers at 31 December 2008 amounted to £3,890m (2007: £3,647m). Other reinsurance collateral is held on behalf of the Group and is not recognised on the balance sheet as the Group is not permitted to sell or re-pledge the collateral in the absence of default.

The Group's largest reinsurance exposure at 31 December 2008 was to Opal Reassurance Limited and the reinsurance asset recoverable was £3,502m (2007: £3,647m). Under the terms of this reassurance arrangements entered into effective 1 January 2007, Pearl Assurance plc, NPI Limited and London Life Limited hold assets in collateral accounts over which the reassurer has a fixed charge.

14.2.4 Limited recourse bonds

The Group has pledged collateral of £153m (2007: £146m) to provide security to the holders of the NPLL Recourse Bonds in issue (see note 29.2 (c)).

15. Derivatives

The Group purchases derivative financial instruments in connection with the management of its insurance contract and investment contract liabilities.

The fair values of derivative financial instruments are as follows:

	Derivative Assets 31 Dec 08 £m	Derivative Assets 31 Dec 07 £m	Derivative Liabilities 31 Dec 08 £m	Derivative Liabilities 31 Dec 07 £m
Options on interest rate swaps	667	—	—	—
Forward currency	136	27	406	99
Credit default swaps	141	25	15	6
Interest rate swaps	2,219	389	2,201	189
Swaptions	653	147	—	—
Inflation swaps	108	14	485	—
Total return bond swaps	19	1	3	8
Equity options	17	9	17	9
Stock index futures	391	—	421	—
Other	13	—	7	—
	4,364	612	3,555	311

Derivative assets are disclosed in the consolidated balance sheet within "other financial investments".

16. Assets held to cover linked liabilities

The Groups assets held to cover linked liabilities are summarised by measurement category as follows:

	31 Dec 08		31 Dec 07	
	Carrying Value £m	Cost £m	Carrying Value £m	Cost £m
At fair value through profit and loss	10,595	11,550	3,963	3,228
Listed investments included above	9,831	10,837	3,712	2,947

The carrying value is the fair value of these assets.

17. Debtors

17.1 Debtors arising out of direct insurance operations

	31 Dec 08 £m	31 Dec 07 £m
Amounts owed by policyholders	23	14

All debtors are expected to be recovered within 12 months. The carrying value amount of these assets is a reasonable approximation of their fair value.

17.2 Debtors arising out of reinsurance operations

	31 Dec 08 £m	31 Dec 07 £m
Amounts owed by reinsurers	29	—

All debtors are expected to be recovered within 12 months. The carrying value amount of these assets is a reasonable approximation of their fair value.

17.3 Other debtors

	31 Dec 08 £m	31 Dec 07 £m
Deferred tax asset (see note 27)	221	—
Amounts outstanding receivable from Royal London	213	—
Unsettled trades	149	—
Other debtors	119	88
	702	88

All other debtors are expected to be recovered within 12 months. The deferred tax assets are expected to be recovered over a period of greater than 12 months. As set out in note 38.6.3 to the accounts, agreement has been reached with Royal London in the post balance sheet period which will effect the set off of the amounts outstanding between the Group and Royal London. The carrying value amount of these assets is a reasonable approximation of their fair value.

18. Tangible assets

	£m
Cost	
At 1 January 2008	4
Arising on acquisition of Resolution plc	39
Additions	1
At 31 December 2008	44
Depreciation	
At 1 January 2008	—
Depreciation for year	(5)
At 31 December 2008	(5)
Net book value	
At 31 December 2007	4
At 31 December 2008	39

19. Deferred acquisition costs

	£m
At 1 January 2007	2
Decrease in period	(2)
At 31 December 2007 and 31 December 2008	—

20. Share capital

20.1 Share capital authorised

	31 Dec 08 £m	31 Dec 07 £m
596,000,100 ordinary shares of £1 each	596	596

20.2 Share capital allotted

	31 Dec 08 £m	31 Dec 07 £m
Allotted, called up and fully paid equity shares:		
596,000,020 ordinary shares of £1 each	596	596

21. Reserves and reconciliation of movement in shareholders' funds

	Share Capital £m	Foreign Exchange Reserve £m	Subordinated Loan £m	Profit and Loss Account £m	Shareholders' Funds £m
At January 2007 as previously reported	596	—	—	512	1,108
Prior year adjustment (see accounting policies)	—	—	289	17	306
At 1 January 2007 as restated	596	—	289	529	1,414
Profit after taxation for the year ended 31 December 2007	—	—	—	141	141
Interest on subordinated debt	—	—	—	(35)	(35)
Dividends (note 6)	—	—	—	(33)	(33)
Fair value adjustment on available for sale financial assets	—	—	—	(2)	(2)
Actuarial losses on pension scheme	—	—	—	(11)	(11)
Tax on items taken directly to equity	—	—	—	3	3
At 31 December 2007 as restated	596	—	289	592	1,477
Loss after taxation for the year ended 31 December 2008	—	—	—	(610)	(610)
Interest on subordinated debt	—	—	—	(35)	(35)
Group equity share of Impala charges direct to equity	—	—	—	(84)	(84)
Dividends (note 6)	—	—	—	(101)	(101)
Foreign exchange movements	—	13	—	—	13
Actuarial losses on pension schemes			—	(160)	(160)
Fair value adjustment on available for sale financial assets	—	—	—	2	2
Tax on items taken directly to equity	—	—	—	45	45
At 31 December 2008	596	13	289	(351)	547

The Company issued subordinated loan notes of £144.5m each to Sun Capital Investments Limited and Hera Investments One Limited at par on 13 April 2005 at an interest rate of 12% per annum. As these loans have no fixed maturity dates and interest payments may be deferred at the option of the Company, they meet the definition of equity for financial reporting purposes. Interest of £35m was paid on these loans during the year.

22. Minority interests

	UK Commercial Property Trust Limited £m	Perpetual Reset Capital Securities £m	Investments in Impala Holdings Limited £m	Other £m	Total £m
At 1 January 2008	—	—		2	2
On acquisition of Resolution plc	186	500	—	—	686
On investment in Impala Holdings Limited	—	(14)	2,382	—	2,368
(Loss)/profit after tax for period	(30)	23	(125)	1	(131)
Minority share of Impala charges direct to equity	—	—	(29)	—	(29)
Dividend paid	(8)	—	—	—	(8)
Foreign exchange movements	—	—	5	—	5
Actuarial losses on pension scheme	—	—	(1)	—	(1)
Shares subscribed for by minority interests	1	—	—	—	1
At 31 December 2008	149	509	2,232	3	2,893

UK Commercial Property Trust Limited

UK Commercial Property Trust Limited ("UKCPT") is a property investment subsidiary which is domiciled in Guernsey and listed on the London Stock Exchange.

Perpetual Reset Capital Securities

Pearl Group Holdings (No. 1) Limited ("PGH1L") has in issue £500 million of Perpetual Reset Capital Securities ("the Notes") which are admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange.

The Notes are unsecured obligations of PGH1L and are subordinate to the claims of senior creditors. Payments in respect of the Notes are conditional upon PGH1L 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 PGH1L; 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. As the Notes are not directly held by the Company, these are disclosed as a minority interest in the consolidated accounts.

The Notes may be redeemed at par at the option of PGH1L 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 PGH1L 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 PGH1L opts to defer a coupon payment, then PGH1L has the option to either leave the coupon outstanding or satisfy the deferred coupon payment by the issue of securities ("ACSM" instruments") by either

PGH1L or a special purpose subsidiary of PGH1L established for the purpose of issuing ACSM instruments and which are guaranteed by PGH1L. The obligations of PGH1L 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 PGH1L 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 PGH1L 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 PGH1L 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 25 March 2009, the Board of PGH1L gave notice to the holders of the Perpetual Reset Capital Securities ("the Notes") of its decision to defer the Coupon payment on the Notes at the next payment date of 25 April 2009. PGH1L indicated that it had no present intention to initiate the Alternative Coupon Satisfaction Mechanism.

Investment in Impala Holdings Limited

Sun Capital Investment No. 2 Limited and Hera Investments No. 2 Limited collectively own 25% of the issued A and issued B shares, 100% of the issued C shares and 100% of the £663m subordinated loans qualifying as equity of Impala Holdings Limited (see note 36). The net assets attributable to these minority interest shareholders in Impala Holding Limited at 31 December 2008 was £2,232m.

23. Fund for future appropriations

	31 Dec 08 £m	Restated 31 Dec 07 £m
At 1 January	312	356
Acquisition of Resolution plc	615	—
Transfer to the technical account	(347)	(44)
At 31 December	580	312

The Group's with profit funds are closed to new business. In accordance with the principles established by FRS 27: "Life Assurance" and Guidance Note 45, the whole of the unappropriated surplus attributable to policyholders has been included in the long-term business provision. As a result, the fund for future appropriation represents the shareholders' share of the inherited estate and other shareholder items only.

24. Policyholder liabilities

24.1 Valuation of participating insurance and investment contracts

For participating business, which is with profit business (insurance and investment contracts), the long term business provision is calculated in accordance with the FSA's realistic capital regime, adjusted to exclude the shareholders' share of future bonuses and the associated tax liability as required by FRS 27 "Life

Assurance". This is a market consistent valuation, which involves placing a value on liabilities similar to the market value of assets with similar cash flow patterns.

24.2 Valuation of non participating insurance contracts

The non participating insurance contract liabilities are determined using both the net premium and the gross premium valuation method or a method at least as prudent as the gross premium method.

24.3 Assumptions

Process used to determine assumptions

For participating business in realistic basis companies the assumptions about future demographic trends are intended to be "best estimates". They are determined after considering the companies' recent experience and/or relevant industry data. Economic assumptions are market consistent.

For other business, demographic assumptions are derived by adding a prudent margin to best estimate assumptions. Economic assumptions are prudent estimates of the returns expected to be achieved on the assets backing the liabilities.

Valuation interest rate

For realistic basis companies the liabilities are determined stochastically using an appropriate number of risk neutral scenarios produced by a proprietary economic scenario generator calibrated to market conditions and gilt yields as at the valuation date.

For funds not subject to realistic reporting, the method used to determine valuation interest rates generally follows the regulations set out in the Prudential Sourcebook for Insurers (INSPRU).

Assets are firstly hypothecated to classes of business being valued. The valuation interest rates for each block of business are based on the expected returns of the hypothecated assets. The yield is then adjusted to make allowance for credit risk, reinvestment risk and investment management expenses.

Valuation interest rates (after tax for life policies) are typically in the following ranges:

	2008	2007
Life policies	2.15% - 5.75%	3.60% - 4.60%
Pension policies	1.19% - 6.65%	4.00% - 4.80%

Investment contracts with discretionary participation features are not measured at fair value as there is currently no agreed definition of fair value for discretionary participation features under UK GAAP.

Expense inflation

A future stream of expenses payable to Pearl Group Management Services Limited ("PGMS") in respect of unitised with profits business written in the Britannic With Profit Fund and most unit linked business in the Non Profit Fund of Phoenix Life Limited (PLL) has been agreed based on the expected reduction in policy numbers from 1 January 2009 and the management service agreement ("MSA") with PGMS. The expense stream allows for expense inflation of Retail Price Index ("RPIX")+1% of 3.54%. The actual expense stream will be adjusted to allow for actual RPIX changes, though if in any year RPIX+1% is negative the increase for the year will be 0%.

For all other blocks of business, expenses are assumed to increase at the rate of increase in the RPIX plus fixed margins in accordance with the various MSAs that the Group has in place with outsourced service providers. For with profits business the rate of RPI inflation is determined within each stochastic scenario. For

other business it is based on the Bank of England inflation spot curve. For MSA's with contractual increases set by reference to national average earnings inflation, this is approximated as RPI inflation plus 1%. In instances in which inflation risk is not mitigated, a further margin for adverse deviations may then be added to the rate of expense inflation.

Mortality and longevity rates

Mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, company experience and forecast changes in future mortality. Where appropriate, a margin is added to assurance mortality rates to allow for adverse future deviations. Annuitant mortality rates are adjusted to make allowance for future improvements in pensioner longevity.

The mortality assumptions are proportions of the published tables below:

	31 Dec 08	31 Dec 07
Life with profit	61% to 116% AF92/AM92 and 33% R6A and 88% AFC00/AMC00	100% AF92/AM92
Pension with profit	66% to 176% AF92/AM92 and 33% R6A and 88% AMC00/AFC00	100% AF92/AM92
Pension annuities in payment	PMA00/PFA00 plus group longevity improvement factors and 102.5/115.0% RMV00/RFV00	97.5%/113% RFV00/RMV00 and 85%/90% PFA00/PMA00
Term assurances (pensions)	79% to 105% AF92/AM92 and 33% R6A	100% AF92/AM92
Term assurances (life)	59% to 117% AF92/AM92 and 33% R6A and 60%/120% AF80/AM80	60%/120% AF80/AM80
Unit linked/UWP assurances	70% to 176% AF92/AM92 and 33% R6A and 88%/105% AFC00/AMC00	100% AF92/AM92

Lapse and surrender rates (persistency)

The assumed rates for surrender and voluntary premium discontinuance depend on the length of time a policy has been in force and the relevant company. Surrender or voluntary premium discontinuances are only assumed for realistic basis companies. Withdrawal rates used in the valuation of with profit policies are based on observed experience and adjusted when it is considered that future policyholder behaviour will be influenced by different considerations than in the past. In particular, it is assumed that withdrawal rates for unitised with profit contracts will be higher on policy anniversaries on which Market Value Adjustments do not apply.

Discretionary participating bonus rate

For realistic basis companies, the regular bonus rates assumed in each scenario are determined in accordance with each company's Principles and Practices of Financial Management (PPFM). Final bonuses are assumed at a level such that maturity payments will equal asset shares subject to smoothing rules set out in the PPFM. For non realistic basis companies, some provision is made for future bonuses.

24.4 Policyholder options and guarantees

Some of the Group's products give potentially valuable guarantees, or give options to change policy benefits which can be exercised at the policyholder's discretion. These products are described below.

Most with profit contracts give a guaranteed minimum payment on a specified date or range of dates or on death before that date or dates. For pensions' contracts, the specified date is the policyholder's chosen retirement date or a range of dates around that date. For endowment contracts, it is the maturity date of the contract. For with profit bonds it is often a specified anniversary of commencement, in some cases with further dates thereafter. Annual bonuses when added to with profit contracts usually increase the guaranteed amount.

There are guaranteed surrender values on a small number of older contracts.

Some pensions' contracts include guaranteed annuity options which expose the Group to interest rate and longevity risk. The total amount provided in the with profit and non profit funds in respect of the future costs of guaranteed annuity options are £1,653m (2007: £418m) and £31m (2007: £nil) respectively.

In common with other life companies in the United Kingdom which have written pension transfer and opt out business, the Group has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated from data derived from detailed file reviews of specific cases and using a certainty equivalent approach, which give a result very similar to a market consistent valuation, are included in the long-term business provision. The total amount provided in the with profit funds and non profit funds in respect of the review and possible redress relating to pension policies, including associated costs, are £371m (2007: £349m) and £1m (2007: £nil) respectively.

With profit deferred annuities participate in profits only up to the date of retirement. At retirement, a guaranteed cash option allows the policyholder to commute the annuity benefit into cash on guaranteed terms.

24.5 Provision for bonuses

The total cost of bonuses attributable to the year being amounts representing an allocation of surplus for the year is £561m (2007: £182m).

24.6 Other specific matters

The Financial Services Authority carried out a review of low-cost mortgage endowments in 1999. As a result all such mortgage endowment policyholders were provided with information on the performance of their policy. The Group took action to ameliorate the financial impact on those policyholders who were most impacted by the reduction in expected future investment returns. Provision has been made in these accounts for the expected costs of the action taken and to meet the potential costs arising from any complaints associated with low-cost mortgage endowments. The total amount provided for in the with profit funds and non profit funds are £120m (2007: £83m) and £9m (2007: £nil) respectively.

25. Claims outstanding

	31 Dec 08 £m	31 Dec 07 £m
General business	277	42
Life business	382	93
	659	135

Due to the historic diversity of issued general insurance policies and taking into account the legal and regulatory environment for hazardous risks, it is possible that additional claims could emerge from long tail unexpired risks albeit it is not possible to predict the quantum, location or timing of such occurrences.

The establishment of insurance liabilities is an inherently uncertain process and as a consequence of this uncertainty the eventual costs of settlement of outstanding claims and unexpired risks can vary substantially from the estimates.

Pearl Assurance plc

Within Pearl Assurance plc the technical provision for the future claims payments has primarily been assessed consistent with actuarial methods projecting the number and amount of claims separately. Where there is a notable exposure to long term asbestos, pollution and health hazard liabilities, external independent actuaries provide best estimate benchmarks. An appropriate prudential margin is applied to certain lines of business as it is recognised that the estimation of certain future claims payments is an inherently uncertain exercise and future experience could be more adverse.

In calculating the technical provisions in respect of long term UK Industrial disease business the future investment income on the assets held to cover the related provisions has been taken into account by discounting future cashflows. The average period before the undiscounted liability will be settled has been estimated at 15.5 years for 2008 (2007: 9 years) and the provision has been discounted at an interest rate of 2.5% (2007: 3.5%).

The overall effect is to reduce the gross and net technical provisions for those classes of business referred to above at 31 December 2008 by £11m from £36m to £25m (2007: by £12m from £35m to £23m). The total amount of the investment return which corresponds to the unwinding of the discount is £1m (2007: £1m).

PA (GI) Limited

Within PA (GI) Limited the provision for outstanding general insurance claims comprises the estimated ultimate cost of settling claims notified but not settled by the balance sheet date, claims incurred as a result of events during the period of cover provided under the company's policies but not notified by the balance sheet date and associated claims handling costs. The general insurance liabilities of PA (GI) Limited are wholly reinsured to Royal & Sun Alliance Insurance plc.

26. Technical provisions for linked liabilities

	£m
At 1 January 2008	3,963
Acquisition of Resolution plc (note 39)	9,886
Deposits collected	102
Payments made to policyholders of, and fees deducted from, investment contacts	(652)
Change in technical provisions for linked liabilities	(2,666)
At 31 December 2008	10,633

27. Deferred taxation

27.1 Provisions for deferred taxation

Reconciliation of movements in deferred tax:

	31 Dec 08 £m	31 Dec 07 £m
At 1 January	21	44
Arising on acquisition of Resolution plc	(125)	—
Increase/(decrease) for the year:		
Technical account — long-term business (note 5.1)	(152)	(25)
Non-technical account (note 5.1)	35	2
At 31 December	(221)	21

27.2 Deferred taxation provisions

The components of the net deferred tax (asset)/liability are as follows:

	31 Dec 08 £m	31 Dec 07 £m
Unrealised gains on investments	6	23
Expenses and deferred acquisition costs	(123)	(2)
Capital allowances	(25)	(4)
Trading losses	(97)	—
Other short term timing differences	(1)	6
Total undiscounted	(240)	23
Total on a discounted basis	(221)	21

A deferred tax asset has been recognised in respect of long-term business acquisition expenses, other expenses, trading losses and capital allowance deductions where relief is deferred under corporation tax legislation. It has been determined that taxable income of future periods will be sufficient to enable relief for these items as they fall due to be deductible. The deferred tax assets, which have not been recognised due to the uncertainty of their recoverability in the foreseeable future, comprise:

	Long-Term Business		Non Long-Term Business	
	31 Dec 08 £m	31 Dec 07 £m	31 Dec 08 £m	31 Dec 07 £m
Capital and trading losses	233	8	22	6
Provisions and other timing differences	25	11	3	6
	258	19	25	12

The unrecognised assets have not been discounted. Further analysis is as follows:

- £207m (2007: £11m) arises on realised capital losses on chargeable securities and will be available to offset against realised chargeable gains of future years;
- £48m (2007: £3m) arises on trading losses and will be available to offset against trading profits of future years; and
- £28m (2007: £17m) in respect of provisions and other timing differences will be available to offset against taxable profits in future periods when the timing differences reverse or provisions are utilised.

28. Provisions

	Restructure £m	Leasehold Properties £m	Staff Related £m	Known Incidents £m	Other £m	Total £m
At 1 January 2008	7	21	19	—	29	76
Arising on acquisition of Resolution plc	1	10	21	17	11	60
Amount utilised	(1)	(4)	(15)	(5)	(31)	(56)
Increase in provision	13	13	1	7	27	61
Unutilised amount reversed	—	(1)	(4)	—	—	(5)
Unwind of discount	—	1	1	—	1	3
At 31 December 2008	20	40	23	19	37	139

The restructure provision has mostly been made for the anticipated redundancy costs associated with the closure of the Group's Glasgow and Peterborough operations, which is expected to occur through 2009, 2010 and 2011.

The leasehold properties provision has been made for amounts in respect of the excess of lease rentals and other payments on properties that are currently vacant or are expected to become vacant, over the amounts to be recovered from subletting these properties. The discount rate used ranged between 5.9% and 7.5% (2007: 7.1%) and it is expected that the provision will be utilised over the next 15 years.

Staff related provision mostly relates to redundancy costs of staff that have been transferred under outsourcing contracts. This provision will be utilised over the next 18 months.

The known incident provision was created for historical data quality, administration systems problems and process deficiencies on the policy administration, financial reconciliations and operational finance aspects of business outsourced.

Included in other provisions is £9m in respect of investment contracts representing the excess of future costs over future charges on the Group's unit linked business, assessed at a product level. The discount rate used in calculating the provision is 3.4% (2007: 5.0%) and the provision is expected to run off over the remaining life of the business, estimated at 30 years. The remainder of the balance includes litigation and onerous contract provisions.

29. Financial liabilities at amortised cost

29.1 Total financial liabilities at amortised cost

		Carrying Value		Fair Value	
	Notes	31 Dec 08 £m	Restated 31 Dec 07 £m	31 Dec 08 £m	Restated 31 Dec 07 £m
Technical provisions for linked liabilities	26	10,633	3,963	10,633	3,963
Net assets attributable to unit holders		2,334	—	2,334	—
Obligation for repayment of collateral received	14.2	4,621	3,531	4,621	3,531
Debenture loans	29.2	1,710	391	1,545	394
Amounts owed to credit institutions	29.3	277	328	277	328
Deposits received from reinsurers		3,984	3,647	3,984	3,647
Other creditors including taxation and social security	30	917	1,353	917	1,353
Creditors arising out of direct insurance operations		48	1	48	1
Creditors arising out of reinsurance operations		23	—	23	—
		24,547	13,214	24,382	13,217

29.2 Debenture loans

	Carrying Value		Fair Value	
	31 Dec 08 £m	31 Dec 07 £m	31 Dec 08 £m	31 Dec 07 £m
£171 million 12% subordinated loans (note a)	171	171	151	171
£31.8 million loan (note b)	—	32	—	32
Limited recourse bonds 2012 7.39% (note c)*	54	70	60	70
Limited recourse bonds 2022 7.59% (note c)*	119	118	146	121
£335 million subordinated loan (note d)	335	—	335	—
Unsecured loan notes (note e)	28	—	28	—
£200m 7.25% unsecured subordinated loans (note f)	153	—	108	—
£835 million loan (note g)	835	—	708	—
£15 million loan (note h)	15	—	9	—
Total debenture loans	1,710	391	1,545	394

Notes

* *Borrowings of NPLL long-term fund.*

(a) The Company issued subordinated loan notes of £85.5m each to Sun Capital Investments Limited and Hera Investments One Limited at par on 13 April 2005 at an interest rate of 12% per annum and mature on 13 April 2015. The borrower may elect to defer the payment of interest under the facility.

(b) The £31.8 million loan was due to Henderson Finance, a subsidiary undertaking of Henderson Group plc. The loan was repaid on 12 April 2008.

(c) In 1998, NPI raised £260m of capital through the securitisation of embedded value on a block of existing unit linked and unitised with profit life and pension policies. On demutualisation of NPI, these were transferred to NPLL. The bonds are split between two classes, which rank pari passu. The £140m 7.39169% class A1 limited recourse bonds have an average life of 2 years maturing in 2012 and the £120m 7.5873% limited recourse bonds have an average life of 9 years maturing in 2022. The bonds are repaid out of margins emerging from the securitised block of business and from a collateral fund (note 14.2.4).

(d) Impala Holdings Limited issued subordinated loan notes of £167.5m each to Sun Capital Investments No. 2 Limited and Hera Investments No. 2 Limited at par on 20 November 2008 at an interest rate of LIBOR plus 11% per annum and matures on 30 November 2018. The borrower may elect to defer the payment of interest under the facility.

(e) Unsecured loan notes of £72m were issued by Impala Holdings Limited at par on 14 May 2008 at an interest rate of LIBOR minus 1% per annum with a final maturity date of 2012. On 31 December the Impala Holdings Limited repaid £44m of the outstanding loan notes.

(f) Scottish Mutual Assurance Limited issued £200 million 7.25% undated, unsecured subordinated loan notes on 23 July 2001. The earliest repayment date of the note is 25 March 2021 and thereafter on each fifth anniversary so long as the notes are outstanding.

(g) Axial Fixed Income Opportunities S.a.r.l issued A loans consisting of Eur 459,886,325; £167,881,573; and USD 317,906,102. These loans accrue interest at LIBOR plus 100 bps and mature in May 2016.

(h) Axial Fixed Income Opportunities S.a.r.l issued B loans consisting of Eur 9,397,311, £3,015,429 and USD 4,476,558. These loans accrue a fixed interest rate of 0.1% plus a variable profit related element and mature in May 2016.

(i) Impala Holdings Limited issued subordinated loan notes of £565m each to Sun Capital Investments No. 2 Limited and Hera Investments No. 2 Limited at par on 14 May 2008 at an interest rate of LIBOR plus 2.94%. These loans were repaid on 20 November 2008.

(j) Impala Holdings Limited issued unsecured loan notes of £633m each to Sun Capital Investments No. 2 Limited and Hera Investments No. 2 Limited at par on 14 May 2008 at an interest rate of LIBOR plus 3.5%. £52.4m of the loan was repaid on 3 July 2008 with the remaining balance being settled on 31 July 2008.

(k) Impala Holdings Limited issued unsecured loan notes of £497.5m each to Sun Capital Investments No. 2 Limited and Hera Investments No 2 Limited at par on 14 May 2008 at an interest rate of LIBOR plus 1%. £375m of this loan was repaid on 15 July 2008 with the remaining balance being settled on 30 October 2008.

29.3 Amounts owed to credit institutions

	Carrying Value		Fair Value	
	31 Dec 08 £m	31 Dec 07 £m	31 Dec 08 £m	31 Dec 07 £m
Refinancing loan (note a)	277	328	277	328
Total amounts owed to credit institutions	277	328	277	328

Notes

(a) The refinancing loan from Abbey National plc relates to the sale of Extra-Income Plan policies that Abbey National plc finances to the value of the associated property reversions. As part of the arrangement Abbey National plc receive the movement in the Halifax House Price Index and NPLL and NPI Limited have undertaken to indemnify Abbey National plc against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount. Repayment will be on a policy-by-policy basis and is expected to occur over the next 10 to 20 years.

30. Other creditors including taxation and social security

	31 Dec 08 £m	Restated 31 Dec 07 £m
Corporation tax	17	74
Investment broker balances	68	1,140
Collateral creditors	95	—
Amounts outstanding payable to Royal London	271	—
Unsettled trades	141	—
Other creditors	325	139
	917	1,353

31. Commitments

31.1 Capital commitments

	31 Dec 08 £m	31 Dec 07 £m
Other capital commitments for settlement after 31 December	126	203
Securities commitments	653	648

Securities commitments comprise commitments of Pearl to subscribe to private equity funds and other unlisted assets.

31.2 Annual commitments under non-cancellable land and building operating leases

The obligations under non-cancellable land and building operating leases fall due:

	31 Dec 08 £m	31 Dec 07 £m
Within one year	2	2
In the second to fifth years inclusive	7	7
In more than five years	6	6
Total	15	15

32. Contingent loans

Both National Provident Life Limited ("NPLL") and London Life Limited ("LLL") have received contingent loans from their respective parent undertakings, NP Life Holdings Limited and Pearl Group Limited. The assets backing the loans are utilised to provide additional regulatory capital for the long-term funds. The amounts below represent the amounts that are expected to be recoverable from the long-term funds following the settlement of policyholder claims by those funds and were valued at an amount equal to the realistic valuation of the policyholder contingent loan liability. The carrying value of these loans is equal to the fair value.

The intra-group contingent loans cancel on consolidation. However, since they are loans between shareholder and policyholder funds any change in the shareholder asset will affect Group profit.

The loans provided to NPLL are repayable in accordance with the Schedule 2c Scheme under which the business of NPI was transferred to NPLL. The loan to LLL is repayable in accordance with the Schedule 2c Scheme under which the business of AMP UK Branch was transferred to LLL. The balances at 31 December are as follows:

	31 Dec 08 £m	Restated 31 Dec 07 £m
National Provident Life Limited	71	135
London Life Limited	104	150
	175	285

33. Notes to the cash flow statement

33.1 Reconciliation of (loss)/profit on ordinary activities to net cash(outflow)/inflow from operating activities:

	31 Dec 08 £m	Restated 31 Dec 07 £m
(Loss)/profit on ordinary activities before taxation	(775)	176
Adjustments for financing expenses and items not involving movements of cash:		
Decrease/(increase) in intangible assets	246	(6)
Issue costs on external borrowings	47	—
Depreciation of tangible assets	2	—
Decrease in reinsurers' share of outstanding claims	14	170
Decrease in debtors	197	10
Increase in accrued interest and rent	(19)	(1)
Decrease in prepayments	58	1
(Decrease)/increase in creditors	(1,310)	1,131
Increase/(decrease) in provisions	7	(7)
(Decrease)/increase in accruals	(46)	1
(Decrease)/increase in deferred income	(3)	5
Decrease in technical provisions	(11)	(167)
Unrealised losses	389	6
Movement in pension scheme	(20)	(11)
Profits/(losses) relating to long-term business funds, excluding Pacific fund	351	(71)
Loan interest expense	190	41
Loan interest income	(82)	(29)
Net cash (outflow)/inflow from operating activities	(765)	1,249

33.2 Analysis of cashflows in respect of acquisitions and disposals

	31 Dec 08 £m	31 Dec 07 £m
Cash paid in respect of the acquisition of Resolution plc (note 39)	(4,887)	—
Less: Cash balances transferred as part of the acquisition of Resolution plc	686	—
Less: Portfolio investments transferred as part of the acquisition of Resolution plc	1,208	—
Net cash outflow from acquisitions and disposals	(2,993)	—

33.3 Analysis of cash holdings included in the Consolidated Balance Sheet

	31 Dec 08 £m	Restated 31 Dec 07 £m
Cash at bank and in hand	1,850	976
Less: Cash on deposit not repayable on demand (note 33.4)	(75)	(70)
Total cash holdings (note 33.6)	1,775	906

33.4 Analysis of portfolio investments included in the Consolidated Balance Sheet

	31 Dec 08 £m	Restated 31 Dec 07 £m
Other financial investments	59,011	24,039
Add: Cash on deposit not repayable on demand (note 33.3)	75	70
Total portfolio investments (note 33.6)	59,086	24,109

33.5 Net portfolio investments (excluding long-term business)

	31 Dec 08 £m	31 Dec 07 £m
Purchase of portfolio investments	1,501	3,032
Sale of portfolio investments	(3,408)	(1,932)
Acquired shareholder assets	1,208	—
	(699)	1,100

33.6 Movements in cash, portfolio investments and financing

	Portfolio Investments £m	Cash Holdings £m	Borrowings £m	Total £m
At 1 January 2007	21,159	403	(982)	20,580
Shareholder cash flows	1,100	58	—	1,158
Changes in long-term business	(1,380)	113	(26)	(1,293)
Changes in market value and exchange rate effects	78	—	—	78
At 31 December 2007 as previously reported	20,957	574	(1,008)	20,523
Prior year adjustment	3,152	332	289	3,773
At 31 December 2007 as restated	24,109	906	(719)	24,296
Acquired shareholder assets	1,208	686	(269)	1,625
Cash flows	(1,907)	(486)	(1,389)	(3,782)
Total shareholder cash flows	(699)	200	(1,658)	(2,157)
Acquired long-term business assets	34,024	849	—	34,873
Changes in long-term business	1,674	(152)	(783)	739
Total long-term business assets	35,698	697	(783)	35,612
Changes in market value and exchange rate effects	(8)	(28)	—	(36)
Non-cash movements	—	—	1,192	1,192
Portfolio investments reclassified as minority interest	(14)	—	—	(14)
Long-term to shareholder borrowings	—	—	(19)	(19)
At 31 December 2008	59,086	1,775	(1,987)	58,874

34. Staff pension scheme

The Group operates two staff Pension Schemes, the Pearl Group Staff Pearl Scheme ("the Pearl Scheme") and since 1 May 2008 following the acquisition of the Resolution Group, the Resolution Group Pension Scheme ("the Resolution Scheme"). Information on each of these schemes is set out below.

Pearl Group Staff Pension Scheme

34.1 Defined contribution scheme

The company participates in the defined contribution section of the Pearl Scheme. Contributions in the year amounted to £1m (2007: £1m).

34.2 Defined benefit scheme

The Pearl Scheme is funded by payment of contributions to a separately administered trust fund. The Pearl Scheme's appointed investment managers are Axial Investment Management Limited, Fidelity Investments, Legal and General and Standard Life. The Pearl Scheme is subject to regular valuations by an independent qualified actuary. The Company is the principal employer of the Pearl Scheme.

Up until 15 November 1999, the Pearl Scheme operated on a defined benefit basis for all members. From that date, a new money purchase section was established for new members of the Pearl Scheme. Pearl and London Life final salary members were offered membership of this new section, on special terms, in respect

of future service in April 2000 and NPI final salary members in June 2001. If they declined they remained members of the defined benefit scheme.

With effect from 31 March 2005, the trustees agreed to split the Pearl Scheme assets and liabilities between those relating to the Life Services business which remained in the Pearl Scheme, and those relating to the remainder of Henderson Group plc (which sold 100% of the issued share capital of Pearl Assurance Group Holdings Limited to Pearl Group Limited on 13 April 2005) which were transferred to the Henderson Group Pension Scheme. The results of the Pearl Scheme from the date of acquisition by Pearl Group Limited of 13 April 2005 until 31 December 2008 have been reflected in these Group accounts.

Throughout 2008, the contribution rates to the Pearl Scheme were 48.8% (2007: 48.8%), 19.1% (2007: 19.1%), and 12.4% (2007: 12.4%) of pensionable earnings for final salary section members, hybrid (a mix of final salary and money purchase) members and pure money purchase members respectively. These contributions are paid annually at the end of the year.

The Company and the Trustees of the Pearl Scheme entered into a contract during 2007 under which the Company guaranteed returns on the Pearl Scheme's assets sufficient to ensure that there would be no funding shortfall by 30 June 2027. On 30 June 2009 and every three years thereafter a valuation was to be performed to determine the extent to which additional payments were required to be made to the Pearl Scheme in so far as the target investment return had not been achieved. As an integral part in meeting the requirements of this contract, management of the assets of the Pearl Scheme moved to Axial Investment Management Limited. As at 31 December 2008 the anticipated additional payment due on 30 June 2009 under this contract was estimated to be £607m.

Since the end of the financial year the Company and the Trustees of Pearl Pension Scheme have entered into an agreement to restructure this contract (see note 40). This agreement is conditional upon, amongst other things, the acquisition by Liberty. However, the directors do not expect the cash contributions payable by the Company to change. The principal terms of the agreement provide for the following:

- A cash payment into the scheme of £50m during 2009 followed by cash payments of £20m plus (subject to satisfying appropriate FSA "available resource test") an additional £5m per annum for a period of 10 years, commencing on 30 September 2010.
- The Trustee being granted a first charge over the Company's shares in Pearl Assurance plc, London Life Limited, Pearl Group Services Limited and PGS 2 Limited to secure an amount not exceeding 60% of the deficit arising on the triennial scheme valuation (as calculated in accordance with the terms of the agreement), subject to an initial amount and a maximum of £600m, such security ceasing on a scheme buy out, the Company discharging its liabilities under the agreement or upon a valuation of the scheme demonstrating there is no funding deficit if earlier. Enforcement of the security may take place on the occurrence of various events, the key ones being (i) a failure by the Company to pay agreed cash contributions to the scheme, (ii) an insolvency or other financial difficulties of the Company (iii) except in certain defined circumstances, payments of interest or principal to the Company's lenders or of dividends to the Company's shareholders being made at a time when the Company has failed to maintain an embedded value of at least 1.3 times the amount secured, (iv) the Company fails to maintain an embedded value of at least 1.05 times the amount secured or (v) the Company grants certain types of security over its assets. For this purpose embedded value is defined as excluding the value of the Company's shareholding in Impala Holdings Limited. NP Life Holdings Limited has also granted a limited recourse share charge over the shares it holds in National Provident Life Limited in favour of the Trustee in respect of the Company's obligation under this agreement. This security is granted on substantially the same terms as the security granted by the Company. The Company has also agreed to provide a share charge over NPI Limited if NPI Limited in not disposed of on certain terms by 31 March 2010.

The Company has also provided the Pearl Scheme with additional security by making payments into an escrow fund. The balance in this escrow fund at 31 December 2008 was £11m (2007: £10m). It was originally intended that monies in escrow would be used to meet any funding shortfall in the Pearl Scheme at 30 June 2027. However, under the agreement set out above the amount held in escrow will be paid into the Pearl Scheme in the foreseeable future.

In addition, the Company continues to meet the administration expenses of the Pearl Scheme.

The valuation used for the 2008 and 2007 FRS 17 accounting and disclosures has been based on the results of the actuarial valuation of the Pearl Scheme as at 30 June 2006. Both have been updated by Watson Wyatt to take account of the requirements of FRS 17 in order to assess the liabilities of the Pearl Scheme at these respective dates. The Pearl Scheme assets are stated at their market value at the respective dates.

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

	31 Dec 08	31 Dec 07
Rate of general long term increase in salaries	3.6%	5.0%
Rate of increase in pensions	2.9%	3.5%
Discount rate	6.1%	5.8%
Inflation	2.6%	3.5%
Expected rate of return on scheme assets	5.0%	6.1%

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 Pearl Scheme liabilities. This method determines 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 PMA92C2009 for males and PFA92C2009 for females, based on year of use and including Medium Cohort projections for future mortality improvements. Under these assumption, the average life expectancy for a member currently age 40 retiring at age 60 is 26.8 years and 29.8 years for male and female members respectively.

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

	31 Dec 08 £m	31 Dec 07 £m
Current service cost — final salary	(1)	(2)
Interest cost	(101)	(91)
Expected return on scheme assets	112	93
	10	—

The change in the irrecoverable surplus has been used to restrict the expected return on the scheme assets recognised in the profit and loss account by £nil (2007: £13m) so that it does not exceed the total of the current service cost and interest cost.

34.2.3 The net actuarial gains and losses recognised in the statement of total recognised gains and losses during the year comprise the following:

	31 Dec 08 £m	31 Dec 07 £m
Actual return less expected return on scheme assets	(513)	12
Experience losses arising on scheme liabilities	(16)	(30)
Changes in assumptions underlying scheme liabilities	290	61
	(239)	43
Decrease/(increase) in irrecoverable surplus	81	(54)
	(158)	(11)

The cumulative net actuarial losses recognised in the statement of recognised gains and losses amounts to £178m (2007: £20m).

34.2.4 The amounts recognised in the balance sheet are as follows:

	31 Dec 08 £m	31 Dec 07 £m
Fair value of scheme assets	1,393	1,865
Present value of defined benefit obligation	(1,534)	(1,784)
(Deficit)/surplus	(141)	81
Less: Irrecoverable surplus	—	(81)
Net deficit	(141)	—
Deferred tax	39	—
	(102)	—

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.

34.2.5 The actual return on the scheme assets comprises the following:

	31 Dec 08 £m	31 Dec 07 £m
Expected return on scheme assets	112	106
Actuarial (losses)/gains on scheme assets	(513)	12
	(401)	118

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

	31 Dec 08 £m	31 Dec 07 £m
At 1 January	1,784	1,798
Current service cost	1	2
Interest cost	101	91
Actuarial gains	(274)	(30)
Benefits paid	(78)	(77)
At 31 December	1,534	1,784

The defined benefit obligation arises from plans that are wholly or partly funded.

34.2.7 The change in the fair value of the scheme assets is as follows:

	31 Dec 08 £m	31 Dec 07 £m
At 1 January	1,865	1,812
Expected return on scheme assets	112	106
Actuarial (losses)/gains on scheme assets	(513)	12
Contributions by the employer	7	12
Benefits paid	(78)	(77)
At 31 December	1,393	1,865

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

	31 Dec 08 £m	31 Dec 07 £m
Equities	417	581
Bonds	846	1,160
Properties	116	142
Cash and other	14	(18)
	1,393	1,865

Contributions totalling £50m are expected to be paid into the scheme in 2009 in accordance with the agreement between the Company and the Pearl Scheme Trustees outlined at note 40.

34.2.9 Table of historical information

	31 Dec 08 £m	31 Dec 07 £m	31 Dec 06 £m	31 Dec 05 £m
Fair value of scheme assets	1,393	1,865	1,812	1,752
Defined benefit obligation	(1,534)	(1,784)	(1,798)	(1,784)
	(141)	81	14	(32)
Less: Irrecoverable surplus	—	(81)	(14)	—
Net deficit	(141)	—	—	(32)
Experience (losses)/gains on scheme assets	(513)	12	25	159
Experience (losses)/gains on scheme liabilities	(16)	(30)	(33)	15

Historical information for 2004 is not readily available due to changes that took place to the scheme during 2005.

Resolution Group Pension Scheme

34.3 Defined contribution scheme

The Group participates in the defined contribution section of the Resolution Scheme. Contributions in the period amounted to £3m.

34.3.1 Defined benefit scheme

The Group's subsidiaries, Pearl Group Holdings (No. 1) Limited (formerly Resolution plc) and Pearl Group Management Services Limited (formerly Resolution Management Services Limited), are joint sponsoring employers of the Resolution Scheme. The defined benefit section of the Resolution 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.

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

	31 Dec 08	1 May 08
Rate of general long-term increase in salaries	3.9%	4.7%
Rate of increase in pensions	2.8%	3.7%
Discount rate	6.3%	6.5%
Inflation	2.9%	3.7%
Expected rate of return on scheme assets	4.6%	4.8%

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 Resolution Scheme liabilities. This method determines 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 PNA00 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.

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

	31 Dec 08 £m
Current service cost	(3)
Interest cost	(39)
Expected return on scheme assets	35
	(7)

34.3.4 The net actuarial gains and losses recognised in the statement of total recognised gains and losses during the year comprise the following:

	31 Dec 08 £m
Actual return less expected return on scheme assets	47
Experience loss arising on scheme liabilities	(15)
Gain due to changes in assumptions underlying scheme liabilities	98
Actuarial gain	130
Increase in irrecoverable surplus	(133)
	(3)

The cumulative net actuarial losses recognised in the statement of recognised gains and losses since 1 May 2008 amounts to £(3)m.

34.3.5 The amounts recognised in the balance sheet are as follows:

	31 Dec 08 £m
Fair value of scheme assets	1,172
Present value of defined benefit obligation	(895)
Surplus	277
Less: Irrecoverable surplus	(206)
Net surplus	71
Deferred tax	(20)
	51

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.

34.3.6 The actual return on the scheme assets comprises the following:

	31 Dec 08 £m
Expected return on scheme assets	35
Actuarial gain on scheme assets	47
	82

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

	31 Dec 08 £m
Acquisition through business combination	964
Current service cost	3
Interest cost	39
Actuarial gain	(83)
Benefits paid	(28)
At 31 December	895

The defined benefit obligation arises from plans that are wholly funded.

34.3.8 The change in the fair value of the scheme assets is as follows:

	31 Dec 08 £m
Acquisition through business combination	1,108
Expected return on scheme assets	35
Actuarial gains on scheme assets	47
Contributions by the employer	10
Benefits paid	(28)
At 31 December	1,172

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

	31 Dec 08 £m
Bonds	1,024
Properties	127
Cash	21
	1,172

Contributions totalling £15m are expected to be paid into the scheme in 2009.

34.3.10 Table of historical information

	31 Dec 08 £m
Fair value of scheme assets	1,172
Defined benefit obligation	(895)
	277
Less: Irrecoverable surplus	(206)
Net surplus	71
Experience gains on scheme assets	47
Experience loss on scheme liabilities	(15)

35. Subsidiary and associated undertakings

The principal subsidiaries and associated undertakings of the Group are as follows:

a) Insurance companies:

	Country of Incorporation and Principal Place of Operation	Class of Shares Held (Wholly-Owned Unless Otherwise Indicated)
BA (GI) Limited (general insurance company)	UK‡	Ordinary shares of £0.05
London Life Limited	UK	Ordinary shares of £1
National Provident Life Limited	UK‡	Ordinary shares of £1
NPI Limited	UK	Ordinary shares of £1
Pearl Assurance plc	UK	'A' ordinary shares of 5 pence
PA (GI) Limited (general insurance company)	UK‡	Ordinary shares of £0.01
		Deferred shares of £0.25
Phoenix Life Limited	UK‡	Ordinary shares of £1
Phoenix and London Assurance Limited	UK‡	Ordinary shares of £1
Phoenix Pensions Limited	UK‡	Ordinary shares of £1
Scottish Mutual Assurance Limited	UK‡	Ordinary shares of £0.10
Scottish Mutual International Limited	ROI‡	Ordinary shares of €1.25
		Ordinary shares of £1
Scottish Provident Limited	UK‡	Ordinary shares of £1

‡ Held by a subsidiary undertaking

b) Non-insurance companies:

	Country of Incorporation and Principal Place of Operation	Class of Shares Held (Wholly-Owned Unless Otherwise Indicated)
Axial Fixed Income Opportunities S.a.r.l.	Luxemburg‡	Ordinary shares of €100
Axial Investment Management Limited (investment management company)	UK	51% Ordinary shares of £1
Ignis Asset Management Limited (formerly Resolution Asset Management Limited) (investment management company)	UK‡	Ordinary shares of £1
Ignis Fund Managers Limited (formerly Resolution Fund Managers Limited) (unit trust management)	UK‡	Ordinary shares of £1
Ignis Investment Services Limited (formerly Resolution Investment Services Limited) (investment management company)	UK‡	Ordinary shares of £1
Impala Holdings Limited (holding company)	UK	75% of A Ordinary shares of £1, 75% of B Ordinary shares of £1, and 100% of D Ordinary shares of £1.
Mutual Securitisation plc (finance company)	ROI‡	Quasi subsidiary
NP Life Holdings Limited (holding company)	UK‡	'A' and 'B' ordinary shares of £1
Pearl Assurance Group Holdings Limited (finance company)	UK	Ordinary shares of £1
Pearl Group Holdings (No. 1) Limited (formerly Resolution plc) (finance company)	UK‡	Ordinary shares of £1
Pearl Life Holdings Limited (formerly Resolution Life Limited) (holding company)	UK‡	Ordinary shares of £1
Pearl Group Services Limited (service company)	UK	Ordinary shares of £1
PGS 2 Limited (finance company)	UK	Ordinary shares of £1
Pearl Group Management Services Limited (formerly Resolution Management Services Limited) (service company)	UK‡	Ordinary shares of £1
Scottish Mutual Investment Managers Limited (investment management company)	UK‡	Ordinary shares of £1
Scottish Mutual PEP and ISA Manager Limited (unit trust management)	UK‡	Ordinary shares of £1.00 Deferred shares of £1.00
UK Commercial Property Trust Limited (property fund)	Guernsey‡	76% of Ordinary shares of 25 pence

‡ Held by a subsidiary undertaking

On 25 July 2008, PGL established the Pearl Group Limited Employee Benefit Trust (the "Trust"). Ogier Employee Benefit Trustee Limited were appointed as trustee to the Trust and the beneficiaries of the Trust are employees of the PGL Group. As at 31 December 2008 the trust held unvested cash assets of £0.4m.

c) Associate undertakings:

Covent Gardent Limited Partnership (property partnership)	UK‡	37%
Drago Real Estate Partners Limited (close-ended investment company)	Guersey‡	24.71% ordinary shares of €0.01
Henderson Caspar Property Fund (property fund)	Jersey‡	50%
Henderson French Property Fund BV (property fund)	The Netherlands‡	41%
Henderson UK Shop Fund (property fund)	Jersey‡	48%
Martineau Galleries Limited Partnership (property partnership)	UK‡	17%
Moor House Limited Partnership (property partnership)	UK‡	33%

‡ Held by a subsidiary undertaking

d) Joint venture:

	Country of Incorporation and Principal Place of Operation	Class of Shares Held (Wholly-Owned Unless Otherwise Indicated)
Tesco Property Limited Partnership (property partnership)	UK ‡	50%

‡ Held by a subsidiary undertaking

The information disclosed above is only in respect of those undertakings which principally affect the figures shown in the Group's accounts. There are a number of other subsidiaries and associated undertakings whose business does not materially affect the Group's profits or the amount of its assets and particulars of these have been omitted in view of their excessive length.

36. Related party transactions

During the year the Company entered into the following transactions with Impala Holdings Limited, a 75% owned subsidiary undertaking:

- The Company and its subsidiary undertaking, Pearl Assurance plc, disposed of 39,777,487 and 138,205,822 shares in Resolution plc for consideration of £286.4m and £995.1m respectively to Impala Holdings Limited;
- Impala Holdings Limited paid fees for debt arrangement and advisory work on the acquisition of Resolution plc of £67.9m to the Company. No amounts were outstanding at 31 December 2008; and
- Tax losses with a value of £43m have passed from the PGL Group to the Impala Group during 2008 for consideration of £43m which is outstanding at the year end.

The Company's £1 ordinary shares are jointly owned by Sun Capital Investments Limited ("SCIL") and Hera Investments One Limited ("HIOL") with whom the company entered into the following transactions:

	SCIL		HIOL	
	31 Dec 08 £m	31 Dec 07 £m	31 Dec 08 £m	31 Dec 07 £m
Interest payable on subordinated debt				
Classified as debt	(10)	(10)	(10)	(10)
Classified as equity	(18)	(18)	(18)	(18)
Interest receivable	11	10	11	10
Dividends	(76)	(17)	(25)	(17)
	(93)	(35)	(42)	(35)

During the year HIOL waived its right to receive dividends totalling £51m from the Company.

Balances outstanding were:

	SCIL		HIOL	
	31 Dec 08 £m	31 Dec 07 £m	31 Dec 08 £m	31 Dec 07 £m
Fixed asset investments — loans	85	87	85	87
Subordinated loans				
Classified as debt	(85)	(85)	(85)	(85)
Classified as equity	(145)	(145)	(145)	(145)
Debtors less (creditors)	1	(12)	1	(12)
	(144)	(155)	(144)	(155)

During the year the Group retained its 6.27% holding of a £905m syndicated loan facility which had been made available jointly to SCIL and HIOL in 2006. During the year interest receivable of £3.7m (2007: £2.5m) has been recognised and cash receipts for interest and capital of £3.9m (2007: £2.0m) and £3.1m (2007: £1.9m) respectively have been received in relation to the Group's element of the loan. The total balance of capital and interest outstanding at 31 December 2008 is £52.0m (2007: £55.3m). The fair value of this investment is £31.0m (2007: £55.3m) and the reduction of £21.0m (2007: £nil) is reflected within unrealised losses in the long-term technical account.

On 14 May 2008 the Group entered into an agreement to borrow £4,830m jointly from Sun Capital Investments No. 2 Limited and Hera Investments No. 2 Limited, investing entities as £1,439m subordinated loan notes which qualified as equity for financial reporting purposes, £1,130m subordinated loan notes (see note 29.2 (i)) and £2,261m unsecured loans (see note 29.2(k) and 29.2(j)). During the period interest of £154.0m was charged of which £4.6m was capitalised. Interest of £0.8m was outstanding at the year end. During the period these loans were all repaid in full.

On 20 November 2008 further loans of £998m were borrowed jointly from Sun Capital Investments No. 2 Limited and Hera Investments No. 2 Limited as £663m subordinated loan notes which qualify as equity for financial reporting purposes and £335m subordinated loans (see note 29.2(d)). During the period interest of £5.8m has been charged on these loans. Both the interest and the loans are outstanding at 31 December 2008.

During the year the Group entered jointly into an interest rate swap with Hera Investments No. 2 Limited and Sun Capital Investments No. 2 Limited. The swap exchanges a fixed rate of interest on loan finance of £1,130m for a variable rate. At 31 December 2008 the total fair value of this swap was £(71.8)m. Interest of

£1.0m has been charged by the Group and settled during the period. Interest of £2.0m has been charged to the Group on these swaps and this is outstanding at 31 December 2008.

During 2007, the Pearl Group life companies signed reassurance treaties with Opal Reassurance Limited, a company in which W A McIntosh and H E M Osmond are directors. Under the terms of the treaties, the pension annuity in payment liabilities of Pearl Assurance plc, NPI Limited and London Life Limited were reassured. A premium of £3,855m was payable by the life companies but this was withheld and placed in collateral accounts. Pearl Group has therefore retained legal ownership of these assets and will continue to hold these assets on its balance sheet. Opal Reassurance Limited has a fixed charge over the assets. These reassurance treaties were in place throughout the year ended 31 December 2008.

The value of the withheld premium at 31 December 2008 was £3,502m (2007: £3,647m). The movement on the withheld premium represents investment returns of £113m less claims paid of £300m plus capital injections received from Opal Reassurance Limited as required under the terms of the reassurance of £42m.

The value of the reinsurers share of technical provisions at 31 December 2008 was £3,704m (2007: £3,850m). The movement on the reinsurers share of technical provisions represents claims paid of £300m, changes in the technical provision of £268m and a counterparty risk exposure provision of £114m.

On 11 February 2009, the Company agreed in principle to provide capital support of up to £41m in total to Pearl Assurance plc and London Life Limited in respect of the collateral assets that are subject to a fixed charge held by Opal Reassurance Limited. As at the date of signing these accounts this support is undrawn.

On 3 June 2008, the Group entered into two total return swaps with TDR Capital Nominees Limited in relation to the performance of certain investments of Axial Income Opportunities s.a.r.l. As at 31 December 2008, a fair value of nil has been assumed for these swaps in the Group accounts and no interest had been charged or received.

During the year Sun Capital Partners Limited of whom W A McIntosh and H E M Osmond are directors and TDR Capital LLP of whom M Dale and S J Robertson are designated members received £1,847,656 (2007: £1,666,056) and £33,858,034 (2007: £5,601,112) respectively as shareholder monitoring fees, investment management fees and deal related fees.

During the year, the Group entered into the following transactions with the Pearl Group Staff Pension Scheme:

	Transactions		Balances Outstanding	
	31 Dec 08 £m	31 Dec 07 £m	31 Dec 08 £m	31 Dec 07 £m
Investment management fees	1.0	0.4	1.0	0.4
Reimbursement of expenses	(0.6)	(1.6)	—	(1.6)
Payment administrative expenses	(2.0)	—	(0.7)	—
	(1.6)	(1.2)	0.3	(1.2)

37. Contingent liabilities

In the normal course of business the Group is exposed to certain legal issues, which involve litigation and arbitration, and as at the balance sheet date, the Group has a contingent liability in this regard.

Following the acquisition of the Royal & Sun Alliance life companies, the shares in Phoenix Life Limited and certain loans were transferred from the non profit fund to the shareholder fund of PA (GI) Limited at their admissible regulatory value. HM Revenue & Customs (HMRC) has challenged the tax treatment of these transfers in the year ended 31 December 2004 and litigation may follow. The directors do not consider it probable that an additional tax liability will arise as a result of HMRC's enquiry. However, were HMRC's

challenge to be successful, the Group expects that the liability (before interest and penalties) would not exceed £45m.

During 2008 the Group's primary regulator, the Financial Services Authority (FSA) queried the pricing of certain derivative backed hedging agreements which were put in place in the with profits fund of subsidiary undertakings in 2004. The current assessment of the maximum level of liability to the Group is £160m. However, the Directors do not accept the FSA's concerns and consider this level of liability as unlikely based on current available information. The Company's subsidiary undertaking, Pearl Life Holdings Limited, has the benefit of an indemnity from a non-group third party for 70% of any liability arising out of this matter although recovery cannot be absolutely certain. Discussions between the Group, the third party and the FSA are continuing. In the event that a liability arises between the shareholder fund and with profits fund in relation to the pricing of the hedges, the Group would seek redress for any amounts payable from shareholders funds into policyholder funds through the indemnity with the third party.

The Company's subsidiary undertaking, London Life Limited has provided information to the FSA on its categorisation of £54m of working capital to shareholder funds in 2006. The directors are confident in their treatment, which is supported by legal and actuarial advice, but note that the FSA have not concluded their enquiry into the matter.

38. Risk management

The Group is exposed to a number of risks in its business including those arising from underlying assets and liabilities. This section summarises these risks and the risk management approaches and methodologies the Group applies.

38.1 Risk governance framework

The primary objective of the Group's governance framework is to protect it from events that hinder the sustainable achievement of the Group's performance objectives, including the failure to exploit opportunities. The directors recognise the critical importance of having efficient and effective risk management systems in place.

The Group has an established risk management function along with clear terms of reference for the Pearl Group Limited Board, its committees and the associated executive management committees. A clear organisation structure with documented, delegated authorities and responsibilities from the Pearl Group Limited Board to executive management committees and senior managers is in place. A Group policy framework is also in place, which sets out the high level risk appetite of the Group, together with risk management, internal control and business conduct standards for the Group's operating units. Each policy is the responsibility of a member of senior management who is charged with overseeing compliance with the policy throughout the Group. The Pearl Group Limited Board has approved the Group risk management policies and meets regularly to approve any commercial, regulatory and internal organisational requirements arising from the policies.

The policies define:

- the Group's identification of risk and its interpretation;
- required structures to ensure the appropriate quality and diversification of assets in the context of the liabilities;
- alignment of the reinsurance strategy to the corporate goals;
- the Group's approach to ensuring that its customers are treated fairly; and
- reporting requirements.

38.2 Risk and capital management objectives and policies

The risk management objectives and policies of the Group are based on the requirement to protect the Group's regulatory capital position, thereby safeguarding policyholders' guaranteed benefits whilst also ensuring the Group can meet its different cash flow requirements. Since November 2008 this policy has operated within the constraints of the Own Initiative Variation of Permission ("OIVOP") imposed by the FSA following a technical breach of the Group's Group Capital Adequacy requirements. Subject to the above, the Group seeks to use available capital in pursuing investment opportunities that meet agreed return hurdles for risk taken in order to achieve increased investment returns, generating additional value for policyholders and shareholders.

In pursuing these objectives, the Group deploys financial assets and incurs financial liabilities. Financial assets principally comprise investments in equity securities, fixed interest investments, property, derivatives, reinsurance, trade and other receivables, and banking deposits. Financial liabilities comprise investment contracts, borrowings for financing purposes, derivative liabilities and trade and other payables.

38.3 Asset liability management ("ALM") framework

The use of financial instruments naturally exposes the Group to the risks associated with them, chiefly, market risk, credit risk and liquidity risk. The Group's risk management policy establishes a framework for setting the financial risk profile for each life company and reporting on financial risk exposure.

Responsibility for agreeing the financial risk profile rests with the life board of each life company, given advice from investment managers, internal risk committees and the actuarial function. In setting the risk profile, the life board of each life company will receive advice from the appointed investment managers and the relevant actuary as to the potential implications of that risk profile with regard to the probability of both realistic insolvency and of failing to meet the regulatory minimum capital requirement. The actuary will also advise the extent to which the investment risk taken is consistent with the Group's commitment to treat customers fairly.

Derivatives are used in a number of the Group's funds, within policy guidelines agreed by the Life Board of each life company and overseen by the Board Investment Committees (Asset, Liability and Investment Management Committee ("ALIMCo") and the Investment Committee ("InvCo")) supported by the Asset Liability Management Committee ("ALCo") and the Financial Risk and Capital Oversight Committee ("FRCOC"). Derivatives are primarily used for efficient portfolio management or for risk hedging purposes.

More detail on the Group's exposure to financial risk is provided in note 38.6 below.

The Group is also exposed to insurance risk arising from its life assurance business. Life insurance risk in the Group arises through its exposure to mortality, longevity and to variances between assumed and actual experience in factors such as persistency levels and management and administrative expenses.

The Group's overall exposure to risk is monitored by appropriate committees, primarily ALCo and FRCOC, which agree policies for managing each type of risk on an ongoing basis, essentially within the Group's ALM framework that has been developed to achieve investment returns in excess of amounts due in respect of insurance contracts. The effectiveness of the Group's ALM relies on close matching of assets and liabilities arising from insurance and investment contracts, taking into account the types of benefits payable to policyholders under each type of contract. Separate portfolios of assets are maintained for with profits business, which includes all of the Group's participating business, non-linked non participating business and unit linked business.

During the period the Group continued to invest in developing its specialised asset and liability matching capabilities, which is focused on delivering more effective deployment of capital resources. The Group's

existing processes for managing risk broadened but there have been no fundamental changes to the Group's processes for managing risk during the period.

38.4 Capital management framework

The Group has developed a capital management framework using Individual Capital Assessment ("ICA") principles for identifying the risks to which each of its business units and the Group as a whole are exposed and quantifying their impact on capital. The ICA process estimates the level of capital the Group should retain to ensure that there is only an extremely small risk that the Group will be unable to meet its liabilities. The capital required is calculated based on extreme but foreseeable risk events over a 1-year timeframe. Although the ICA is an internal process, the FSA may use ICA information in discussing the target capital levels it believes the Group and all of its insurance businesses should have available.

38.5 The capital position statement

The purpose of the capital position statement is to set out the financial strength of the Group and to provide an analysis of the disposition and constraints over the availability of capital to meet risks and regulatory requirements. The capital position statement also provides a reconciliation of shareholders' funds to regulatory capital. The information set out below is analysed between the Group's with profits funds, non participating business, life business shareholders' funds and its other activities.

The Group's material with profit funds are shown separately in the capital position statement and the less material with profit funds are aggregated and shown as "Other". The acquisition of PGH1L has led to a reassessment of the material with profit funds of the Group, with the result that the Phoenix With Profit fund and the Britannic With Profit fund of Phoenix Life Limited (PLL) and the with profit funds of Scottish Mutual Assurance Limited (SMA) and Scottish Provident Limited (SPL) are added to the material with profit funds of the Group and the with profit fund of London Life Limited is removed from the material with profit funds and aggregated within the "Other" column.

The contributions made by Phoenix Pensions Limited (PPL) and National Provident Life Limited (NPLL) to the Group's capital resources are included in the column headed "Life business shareholders funds", since they are owned by the Group's life business shareholder funds. An allocation of capital and loans from the Group's life business shareholder funds to the Group's non participating business is made in respect of PPL and to the Pearl Assurance plc ("Pearl") with profits fund in respect of NPLL representing capital resources to cover the capital resources requirement of the PPL and NPLL long term funds respectively. The non participating business and other activities are shown in aggregate in the capital position statement. Virtually all activities of the Group relate to UK business.

In addition to external funding sources, the Group has a number of internal loan arrangements in place, which allow the Group to provide capital support to other areas of the business. In addition to these internal loan arrangements, the Group has in place a number of internal reinsurance contracts, which are structured to manage the capital position between certain life funds.

The available capital resources in each part of the business are generally subject to restrictions as to their availability to meet requirements that may arise elsewhere in the Group. The principal restrictions are:

With profit funds — any available surplus held in each fund can only be used to meet the requirements of the fund itself or be distributed to policyholders and shareholders. In 90:10 with profit funds, policyholders are entitled to at least 90% of the distributed profits while shareholders receive the balance. In 100:0 with profit funds, policyholders are entitled to 100% of the distributed profits. Any distribution to the shareholders would be subject to a tax charge which, for some funds, would be deducted from the amount received by shareholders.

Non participating funds — any available surplus held in these funds is attributable to shareholders. Capital within the non participating funds may be made available to meet capital requirements elsewhere in the Group subject to meeting regulatory, legal and after consideration of the internal capital requirements of the fund and the company. Any transfer of surplus may give rise to a tax charge subject to availability of tax relief elsewhere in the Group.

Pearl Pacific fund — the shareholder attributed assets, known as the Pacific fund, are held within the surplus of the 0:100 fund of Pearl and are attributable to shareholders. The assets can only be released when, in the opinion of the Actuarial Function Holder and the Board, to do so would not adversely affect either the reasonable expectations of with profits policyholders or the security of non-profits policyholders.

Each life Company within the Group is required to hold sufficient capital to meet the FSA's capital requirements. The regulatory capital requirement comprises amounts held in respect of expense, investment and insurance risks, called the Long-Term Insurance Capital Requirement. An additional amount to cover specified stress tests, known as the Resilience Capital Requirement, is required to be held by companies that are not subject to the FSA's realistic capital regime (i.e. NPIL and PPL).

For with profits funds, a further test is required which compares realistic excess capital with excess capital calculated on a regulatory basis. Where the realistic excess capital is less, that company is required to hold additional capital known as the with profits insurance capital component ("WPICC") to cover the difference between both calculations. The realistic excess capital is calculated as the difference between each with profits fund's realistic assets and realistic liabilities with a further deduction, known as the risk capital margin ("RCM") to cover prescribed stress tests.

The total regulatory capital requirement is deducted from the available capital resources to give excess capital on a regulatory basis.

In addition to regulatory capital requirements described above, the Group has established capital policies whereby additional amounts are retained within the life companies over and above that required to meet the regulatory capital requirements. The size and nature of these policies varies but the underlying principle is to protect the life company so that it can continue to meet its regulatory capital requirements under extreme adverse conditions.

Each company's solvency position is regularly monitored against the relevant capital policy and any shortfalls highlighted to the board for consideration. Management actions in response to a shortfall could include injections of capital, reduction in risk exposures or business restructuring.

In addition to the requirement to maintain individual capital resources in excess of its individual capital resources requirement, each life company is required to ensure that its capital resources are sufficient to maintain group capital resources in excess of the group capital resources requirement at all times. This is calculated at the level of each life Company's ultimate parent undertaking, which is Pearl Group Limited ("PGL").

The group capital resources requirement is an aggregate of the individual capital resources requirements of each of the regulated entities within the PGL Group. Group capital resources are based on an aggregation of the capital resources of each of the regulated entities, net of the PGL Group's investment in them, and net of surplus assets held in the long term funds of the regulated entities, but without making any deduction for counterparty exposures in excess of defined limits.

There are different forms and quality of capital that may be admitted to the calculation of group capital resources, however, there are also restrictions which limit lower quality capital to prescribed levels. Lower quality capital which exceeds these levels must be excluded from group capital resources, with a corresponding

effect on the excess of group capital resources over group capital resources requirements (Group Capital Adequacy ("GCA")).

In November 2008, as a result of the regular monitoring referred to above, the life companies of the Group informed the FSA that they were in technical breach of GCA obligations. To rectify the situation, Impala Holdings Limited ("Impala"), a subsidiary of PGL, carried out a capital restructuring in which £2,598m of subordinated debt was repaid to Sun Capital Investments No. 2 Limited and Hera Investments No. 2 Limited in settlement of existing obligations together with accrued interest. This was settled by Impala through the issue of 2 new ordinary C shares for consideration of £1,600m and £998m of new subordinated debt. In addition to this, the life companies applied for a waiver, which was granted by the FSA and which provided relief in respect of one of the capital restrictions within the GCA calculation and enabled the life companies to meet GCA requirements. The life companies have continued to meet GCA requirements since that date. This waiver expired on 30 April 2009. The terms of the C shares were amended on 30 April 2009 such that the FSA waiver was no longer required.

Regulatory capital position statement

Impala is a 75% owned subsidiary of the Company and, in accordance with the provisions of the Prudential Sourcebook for Insurers, only the Company's share of the capital resources and the capital resources requirement of Impala and its subsidiaries are brought into the calculation of group capital resources and group capital resources requirement for the Company and its subsidiaries. As a result of this, certain line items in the capital position statement do not correspond to equivalent line items in the primary statements.

At 1 January 2009, following the transfer of certain businesses within Scottish Provident Limited and Scottish Mutual Assurance Limited to Phoenix Life Limited effective from that date and under Part VII of the Financial Services and Markets Act 2000, the Group's GCA excess increased to £673m.

	With Profits								
2008	**Pearl £m**	**PLL PWP £m**	**PLL BWP £m**	**SMA £m**	**SPL £m**	**Other £m**	**Non Partici-pating £m**	**Life Business Shareholders' Funds £m**	**Total Life Business £m**
Shareholders' funds outside long-term fund	—	—	—	—	—	—	—	3,780	3,780
Shareholders' funds held in long-term fund	(1)	—	—	—	—	28	1,220	—	1,247
Total shareholders' funds at 31 December 2008	(1)	—	—	—	—	28	1,220	3,780	5,027
Adjustments onto a regulatory basis									
FFA	208	72	137	18	32	22	—	—	489
Adjustment to assets	(16)	(4)	(9)	—	(1)	(12)	(628)	(2,348)	(3,018)
Adjustment to liabilities	419	542	237	311	535	167	(34)	113	2,290
Other adjustments	—	—	—	—	—	—	(1)	—	(1)
Other qualifying capital:									
Subordinated debt	65	—	—	—	—	—	—	288	353
Contingent loans	—	—	—	—	—	2	21	—	23
Allocation of group capital	240	—	—	—	—	218	120	(578)	—
Total available capital resources at 31 December 2008	915	610	365	329	566	425	698	1,255	5,163

	Total Life Business £m	Other Activities and Consolidation Adjustments £m	Group Total £m
Shareholders' funds outside long-term fund	3,780	(4,480)	(700)
Shareholders' funds held in long-term fund	1,247	—	1,247
Total shareholders' funds at 31 December 2008	5,027	(4,480)	547
FFA	489	—	489
Adjustment to assets	(3,018)	2,160	(858)
Adjustment to liabilities	2,290	—	2,290
Other adjustments	(1)	913	912
Other qualifying capital:			
Subordinated debt	353	219	572
Contingent loans	23	(23)	—
Allocation of group capital	—	—	—
Total available capital resources at 31 December 2008	5,163	(1,211)	3,952
Capital Requirement			
UK realistic basis			2,956
Other regulatory bases			645
Excess capital over regulatory requirements and excess of available capital resources — GCA			351

2007 — Restated	With Profits Pearl £m	With Profits LLL £m	Non Participating £m	Life Business Shareholders' Funds £m	Total Life Business £m	Other Activities and Consolidation Adjustments £m	Group Total £m
Shareholders' funds outside long-term fund	—	—	—	1,419	1,419	(568)	851
Shareholders' funds held in long-term fund	—	—	328	—	328	—	328
Total shareholders' funds at 31 December 2007 — as previously reported	—	—	328	1,419	1,747	(568)	1,179
Prior year adjustment	—	—	—	—	—	298	298
Total shareholders' funds at 31 December 2007 — as restated	—	—	328	1,419	1,747	(270)	1,477
Adjustments onto a regulatory basis:							
FFA (restated)	302	10	—	—	312	—	312
Adjustment to assets	(23)	(4)	(40)	(650)	(717)	(142)	(859)
Adjustment to liabilities	1,201	71	(31)	(14)	1,227	—	1,227
Other adjustments	—	—	—	—	—	59	59
Other qualifying capital:							
Subordinated debt (restated)	65	—	—	(65)	—	171	171
Contingent loans (restated)	—	10	16	—	26	(26)	—
Allocation of group capital	156	—	—	(156)	—	—	—
Total available capital resources at 31 December 2007 — as restated	1,701	87	273	534	2,595	(208)	2,387
Capital Requirement							
UK realistic basis							1,634
Other regulatory bases							223
Total Capital requirement — as previously reported							1,857
Prior year adjustment							(4)
Total capital requirement — as restated							1,853
Excess capital over regulatory requirements							534
Assets in excess of market risk and counterparty exposure limits							312
Excess of available capital resources — as previously reported							829
Prior year adjustment							17
Excess of available capital resources — as restated							846

The prior year adjustment of £298m comprises a reduction in shareholders' funds of £8m in respect of the recognition of cash collateral assets and obligations, and an increase in shareholders' funds of £306m in respect of the recognition of £289m subordinated debt as equity and the reversal of £17m related accrued interest.

An analysis of the movement in available capital resources for the period 1 January 2008 to 31 December 2008 is shown below:

	With Profits										
Restated	**Pearl £m**	**PLL PWP £m**	**PLL BWP**	**SMA £m**	**SPL £m**	**Other £m**	**Non Partici-pating £m**	**Life Business Share-holders' Funds £m**	**Total-Life Bus-iness £m**	**Other Activities and Consolida-tion Adjust-ments £m**	**Group Total £m**
Total available capital resources at 31 December 2007 — as previously reported	1705	—	—	—	—	95	273	534	2,607	(233)	2,374
Prior year adjustment	(4)	—	—	—	—	(8)	—	—	(12)	25	13
Total available capital resources at 1 January 2008 — as restated	1,701	—	—	—	—	87	273	534	2,595	(208)	2,387
Arising on acquisition of Resolution plc	—	690	603	355	865	535	511	891	4,450	395	4,845
Regular surplus	209	24	45	—	—	37	86	(4)	397	—	397
Investment return	(1,119)	(118)	(300)	10	(210)	(131)	(50)	80	(1,838)	—	(1,838)
Cost of bonus	(148)	(92)	(37)	(36)	(88)	(59)	—	35	(425)	—	(425)
Changes in methodology and assumptions:											
Longevity	—	3	—	—	—	(3)	2	—	2	—	2
Expenses	(67)	7	—	—	—	3	11	—	(46)	—	(46)
Other	(4)	9	1	—	—	21	38	—	65	—	65
Management actions:											
Proceeds from issue of shares	—	—	—	—	—	—	—	—	—	1,559	1,559
Proceeds from issue of subordinated debt	—	—	—	—	—	—	—	—	—	2,675	2,675
Repayment of subordinated debt	—	—	—	—	—	—	—	—	—	(1,949)	(1,949)
Investment in Resolution plc	—	—	—	—	—	—	—	(6)	(6)	(4,053)	(4,059)
Debt servicing	—	—	—	—	—	—	—	—	—	(325)	(325)
New business and other factors:											
Intragroup capital movement	(14)	—	—	—	—	40	(32)	(80)	(86)	86	—
Change in internal capital	—	—	—	—	—	62	(62)	—	—	—	—
Valuation rate of interest	133	—	—	—	—	(179)	—	—	(46)	—	(46)
Adjustment for internal loans in excess of counterparty limits	—	—	—	—	—	—	—	(225)	(225)	537	312
Adjustments for restricted surplus	—	—	—	—	—	—	—	—	—	271	271
Other	224	87	53	—	(1)	12	(79)	30	326	(199)	127
Total available capital resources at 31 December 2008	915	610	365	329	566	425	698	1,255	5,163	(1,211)	3,952

The prior year adjustment of £13m comprises a reduction in capital resources of £4m in respect of the recognition of cash collateral assets and obligations, and an increase in capital resources of £17m in respect of the reversal of accrued interest on subordinated debt that is now recognised as equity.

An analysis of the movement in available capital resources for the period 1 January 2007 to 31 December 2007 is shown below:

	With Profits		Non Participating	Life Business Shareholders' Funds	Total Life Business	Other Activities and Consolidation Adjustments	Group Total
	Pearl £m	LLL £m	£m	£m	£m	£m	£m
Total available capital resources at 1 January 2007	1,774	115	229	776	2,894	(252)	2,642
Regular surplus	143	15	32	—	190	—	190
Investment return	58	(22)	19	14	69	—	69
Cost of bonus	(153)	(9)	—	—	(162)	—	(162)
Changes in methodology and assumptions:							
Longevity	(51)	—	(27)	—	(78)	—	(78)
Expenses	133	2	9	—	144	—	144
Persistency	(19)	—	—	—	(19)	—	(19)
Annuity pricing	50	—	—	—	50	—	50
Other	30	1	5	—	36	—	36
Management actions:							
Investment strategy	(234)	—	—	—	(234)	—	(234)
Investment in Resolution plc	—	—	—	(228)	(228)	(4)	(232)
Payments from Pearl Group Limited	—	—	—	—	—	(67)	(67)
New business and other factors:							
Intragroup capital movement	(16)	(1)	(13)	(12)	(42)	52	10
Change in internal capital	(19)	—	(14)	(3)	(36)	—	(36)
Other	9	(6)	33	(13)	23	38	61
Total available capital resources at 31 December 2007	1,705	95	273	534	2,607	(233)	2,374

Changes in methodology and assumptions

Changes to capital resources arising from changes in methodology and assumptions occur in the normal course of the assumption setting process and reflect changes in available data inputs.

Management actions

The management actions that have had the most significant impact on available capital resources during the period 1 January 2008 to 31 December 2008 generally relate to the acquisition of Resolution plc.

Acquisition of Resolution plc

On 1 May 2008, Impala, a 75% owned subsidiary undertaking, acquired 100% of the issued share capital of Pearl Group Holdings No. 1 Limited (PGH1L) (formerly Resolution plc) and its subsidiary undertakings.

The Group's share of the capital resources of the acquired business have been included in the capital position statement movement table from the date of acquisition.

As an integral part of the acquisition, Impala Holdings Limited ("Impala") a subsidiary of the Company, issued share capital totalling £478m and subordinated debt of £2,569m.

On 20 November 2008, Impala repaid £2,598m in full settlement of existing subordinated debt of £2,569m plus accrued interest. Impala settled the consideration through the issue of 2 new ordinary C shares for consideration of £1,600m and the issue of £998m of new subordinated debt.

The Group's 75% share of these transactions has been reflected in the capital position statement analysis of movement.

Sensitivity analysis

Insurance liabilities are sensitive to changes in risk variables, such as prevailing market interest rates, currency rates and equity prices, since these variations alter the value of the financial assets held to meet obligations arising from insurance contracts and changes in investment conditions also have an impact on the value of insurance liabilities themselves. Additionally, insurance liabilities are sensitive to the assumptions which have been applied in their calculation, such as mortality and persistency rates. Sometimes allowance must also be made for the effect on future assumptions of management or policyholder actions in certain economic scenarios. This could lead to changes in assumed asset mix, or future bonus rates. The most significant sensitivities arise from the following three sources:

Market risk

If market conditions vary adversely from the assumed investment return and interest rates, then assets will reduce. Where this reduction is not offset by a corresponding change in liabilities, there will be an overall reduction in available capital.

Mortality risk

Mortality risk arises from differences between anticipated and actual volumes of deaths on assurance business or improvements in longevity for annuity business.

For annuity contracts, an improvement in mortality leads to an increase in reserves and a reduction in capital. For term assurances, an improvement in mortality has a converse effect.

Persistency

Persistency risk arises where assumed levels of withdrawals diverge from actual experience. Where there are too few lapses and the policy provides a guarantee at a future point in time, the Group will need to provide for the cost of those additional guarantees, or have a suitable hedge. Where there are higher than assumed lapses and there are onerous surrender values, this will lead to a financial loss and a potential weakening of the capital position. When considering assumptions for persistency, the assumed behaviour of policyholders in relation to guarantees and options is taken into account.

Analysis of policyholder liabilities

The Group's with profits funds are subject to the FSA's realistic capital regime, under which liabilities to policyholders include both declared bonuses and the constructive obligation for future bonuses not yet declared. Under FRS 27 "Life Assurance" ("FRS 27") a further adjustment is made to exclude amounts, if any, attributable to shareholders in respect of future bonuses. Hence liabilities included in the balance sheet for the with profits funds do not include the amount representing the shareholders' share of future bonuses.

Measurement of realistic liabilities, including options and guarantees, is determined using stochastic methods which take into account actions which are assumed to be taken by management in response to changes in market conditions. Any such capital management initiatives undertaken by the Group will be consistent with the Principles and Practices of Financial Management ("PPFM"). The most significant management actions assumed in the measurement of liabilities are in respect of changes to bonus rates or assumed asset mix in certain scenarios.

Analysis of policyholder liabilities

2008	With Profits £m	Non Participating £m	Total Life Business £m
With profits liabilities on a realistic basis:			
Options and guarantees	5,920	—	5,920
Other policyholder obligations	29,884	—	29,884
Total with profits liabilities	35,804	—	35,804
Unit linked	710	9,923	10,633
Non participating life assurance	3,666	10,158	13,824
Technical provisions in the balance sheet	40,180	20,081	60,261

2007 — Restated	With Profits £m	Non Participating £m	Total Life Business £m
With profits liabilities on a realistic basis:			
Options and guarantees	1,892	—	1,892
Other policyholder obligations	12,310	—	12,310
Total with profits liabilities	14,202	—	14,202
Unit linked	4	3,959	3,963
Non participating life assurance	302	4,455	4,757
Technical provisions in the balance sheet	14,508	8,414	22,922

Realistic working capital

The realistic liabilities for PLL, PALAL, SPL, SMA, Pearl and LLL have been determined taking account of the requirement in Actuarial Guidance Note 45 ("GN 45") to show zero working capital for a realistic basis with profit fund that is closed to new business, on the basis that any working capital will be distributed to policyholders and shareholders over time. If this requirement were disregarded, the surplus capital over regulatory requirements would increase by £382m for PLL, £nil for PALAL, £178m for SPL, £292m for SMA £835m (2007: £748m) for Pearl and £19m (2007: £42m) for LLL.

An analysis of the realistic working capital of each of the Group's with profit funds is shown below:

2008	PLL PWP with Profit £m	PLL BWP with Profit £m	SMA with Profit £m	SPL with Profit £m	Pearl with Profit £m	Other with Profit £m	NPLL £m	Total £m
Total shareholders' funds — held in long-term with profits funds	—	—	—	—	—	—	75	75
Adjustments onto realistic basis:								
FFA	96	183	24	42	208	27	—	580
Adjustments to assets	(6)	(13)	(1)	(1)	(16)	(10)	—	(47)
Adjustments to liabilities	—	—	—	—	—	(1)	(15)	(16)
Shareholders' share in realistic liabilities	(90)	(170)	(23)	(41)	(192)	(16)	—	(532)
Working capital	—	—	—	—	—	—	60	60

2007 — Restated	Pearl with Profits £m	LLL with Profits £m	NPLL £m	Total £m
Total shareholders' funds — held in long-term with profits funds	—	—	—	—
Adjustments onto realistic basis:				
FFA	302	10	—	312
Adjustments to assets	(1)	—	93	92
Adjustments to liabilities	—	—	(23)	(23)
Shareholders' share in realistic liabilities	(301)	(10)	—	(311)
Working capital	—	—	70	70

38.6 Financial risk analysis

Transactions in financial instruments may result in the Group assuming financial risks. This includes credit risk, market risk and liquidity risk. Each of these is described below, together with a summary of how the Group manages them.

38.6.1 Credit risk

Credit risk is the risk of loss resulting from the failure of a counterparty to perform its financial obligations or to perform them in a timely fashion. These financial obligations can relate to both on and off balance sheet assets and liabilities.

There are two principal sources of credit risk for the Group:

- Credit risk which results from direct investment activities, including investments in fixed interest securities, equities, derivatives, collective investment vehicles, hedge funds and the placing of cash deposits; and
- Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, reinsurance, exposure from material suppliers and the lending of securities.

The amount disclosed in the balance sheet in respect of all financial assets, together with rights secured under off-balance sheet collateral arrangements, and excluding those that back unit linked liabilities, represents the Group's maximum exposure to credit risk.

Credit risk is managed by monitoring of aggregate Group exposures to individual counterparties and by appropriate credit risk diversification. The Group manages the level of credit risk it accepts through comprehensive divisional credit risk tolerances. In certain cases, protection against exposure to particular credit risk types may be achieved through use of derivatives.

Quality of credit assets

An indication of the Group's exposure to credit risk is the quality of the investments and counterparties with which it transacts. The following table provides information regarding the aggregate credit exposure with external credit ratings:

2008	AAA £m	AA £m	A £m	BBB £m	BB £m	B and Below £m	Non Rated £m	Total £m
Loans and receivables at amortised cost	—	—	87	—	—	836	236	1,159
Derivative assets	—	132	3,699	—	—	—	533	4,364
Deposits with credit institutions	19	326	325	—	—	—	—	670
Debt securities and other fixed income securities	28,588	5,716	5,557	1,808	217	263	847	42,996
Reinsurers' share of long term business provision	19	333	632	17	—	—	5,445	6,446
Cash at bank and in hand	163	897	751	—	8	—	31	1,850

2007 — Restated	AAA £m	AA £m	A £m	BBB £m	BB £m	B and Below £m	Non Rated £m	Total £m
Loans and receivables at amortised cost	—	—	—	—	—	—	221	221
Derivative assets	—	489	123	—	—	—	—	612
Deposits with credit institutions	2	512	233	—	—	—	—	747
Debt securities and other fixed income securities	10,203	1,105	1,677	1,006	302	428	478	15,199
Reinsurers' share of long term business provision	—	6	5	—	—	—	3,839	3,850
Cash at bank and in hand	1	975	—	—	—	—	—	976

Credit ratings have not been disclosed in the above table for equities. Whilst the Group is exposed to the impact of credit default on its equity holdings, this risk is not considered significant due to the spread of holdings. Non-equity based derivatives are included in the credit risk table above and are subject to appropriate collateral arrangements.

The credit risk borne by the shareholder on with profit policies is usually minimal unless the insurance fund is relying on shareholder support.

It is also the Group's policy to maintain accurate and consistent internal risk ratings across its asset portfolio. This enables management to focus on the applicable risks and to compare credit exposures across all lines of business, geographical regions and products. The rating system is supported by a variety of financial

analytics combined with market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories of assets and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

A further indicator of the quality of the Groups financial assets is the extent to which they are neither past due nor impaired. The following table gives information regarding the ageing of financial assets that are past due but not impaired and the carrying value of financial assets that have been impaired.

2008	Neither Past Due Nor Impaired £m	<30 Days £m	30-90 Days £m	>90 Days £m	Impaired £m	Carrying Value £m
Debt securities and other fixed income securities	42,996	—	—	—	—	42,996
Deposits with credit institutions	670	—	—	—	—	670
Derivative assets	4,364	—	—	—	—	4,364
Loans and receivables at amortised cost	66	—	—	—	1,093	1,159
Reinsurers' share of long term business provision	6,446	—	—	—	—	6,446
Debtors	630	15	3	54	—	702
Accrued interest and rent	573	5	1	2	—	581
Cash at bank and in hand	1,850	—	—	—	—	1,850

The group has undertaken an objective review of the current financial position of the underlying assets within "Loans and receivables at amortised cost" and the prospects of the issuer and has recognised an impairment of £151m. The review considered both the financial position of the underlying assets and the risk of increased counterparty default due to general market conditions.

2007 — Restated	Neither past Due Nor Impaired £m	<30 Days £m	30-90 Days £m	>90 Days £m	Impaired £m	Carrying Value £m
Debt securities and other fixed income securities	15,199	—	—	—	—	15,199
Deposits with credit institutions	747	—	—	—	—	747
Derivative assets	612	—	—	—	—	612
Loans and receivables at amortised cost	221	—	—	—	—	221
Reinsurers' share of long term business provision	3,850	—	—	—	—	3,850
Debtors	78	4	—	6	—	88
Accrued interest and rent	255	9	1	3	—	268
Cash at bank and in hand	976	—	—	—	—	976

Concentration of credit risks

Concentration of credit risk might exist where the Group has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The Group has most of its counterparty risk within its life business and this is monitored by the counterparty limits contained within the investment guidelines and investment management agreements, overlaid by regulatory requirements.

The Group is exposed to concentrations of risk with individual reinsurers due to the nature of the reinsurance market. The Group's largest reinsurance exposure at 31 December 2008 was to Opal Reassurance Limited ("Opal Re"), a related party, and the reinsurance asset recoverable was £3,704m (2007: £3,850m) (note 36). With any concentration of exposure to a single counterparty there is a risk of financial loss due to the failure of the counterparty. In order to mitigate the concentration risk arising from this exposure and to protect policyholders, the terms of the reassurance arrangements provide that the initial premium payable has been withheld by the Group and placed in collateral accounts.

The Group operates a policy to manage its reinsurance counterparty risk and the impact from reinsurer default is measured regularly. Market events during the financial year have resulted in a deterioration in the financial position of Opal Re, and the Group has responded to this by taking a number of steps to protect its policyholders and to ensure that Opal Re continues to be able to meet its obligations under the treaty as they fall due. These steps include an undertaking by Pearl Group Limited to provide capital support up to £41m to Pearl, LLL and NPI Limited ("NPI") in respect of their exposure to Opal Re and Pearl, LLL and NPI have established additional reserves of £74m, £33m and £7m respectively to address counterparty exposure to Opal Re. In the event that there is further deterioration in respect of the Group's exposure to Opal Re, particularly as regards regulatory capital for the Group, there are other mitigating actions available to the Group to remedy the position. In particular, the FSA has confirmed to the Group that it has no objection in principle to the Group relieving Opal Re of a portion of its longest dated treaty payments in the event that the estimated cash flows from its assets fall short of its best estimate liabilities, thus avoiding additional regulatory capital requirements. However, the FSA have also indicated it will want to consider in detail how any proposals operate in practice.

The Group is also exposed to concentration risk with outsourced service providers. This is due to the nature of the outsourced services market. The Group operates a policy to manage service outsourcer counterparty exposures and the impact from default is reviewed regularly by executive committees and measured though the ICA stress and scenario testing.

Collateral

The credit risk of the Group is mitigated, in certain circumstances, by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending, certain reinsurance arrangements and to provide security against the maturity proceeds of derivative financial instruments. Management monitors the market value of the collateral received, requests additional collateral when needed and performs an impairment valuation when impairment indicators exist and the asset is not fully secured.

Further detail on collateral are given in note 14.

38.6.2 Market risk

Market risk is the risk of changes in the fair value of financial instruments from fluctuating market interest rates (interest rate risk), market prices (price risk) and in foreign exchange rates (currency risk), whether such change is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group is mainly exposed to market risk as a result of:

- the mismatch between liability profiles and the related asset investment portfolios; and
- the investment of surplus assets' including shareholder reserves yet to be distributed, surplus assets within the with profits funds and assets held to meet regulatory capital and solvency requirements; and

- the income flow of management charges from the invested assets of the business.

The Group structures levels of market risk it accepts through a Group market risk policy that determines: the constituents of market risk for the Group;

- the basis used to fair value financial assets and liabilities; the asset allocation and portfolio limit structure;
- diversification from benchmarks by type of instrument and geographical area; the net exposure limits by each counterparty or group of counterparties, geographical and industry segments;
- control over hedging activities; and
- reporting of market risk exposures and activities; monitoring of compliance with market risk policy and review of market risk policy for pertinence to the changing environment. All operations comply with regulatory requirements relating to the taking of market risk.

Interest rate risk

Interest rate risk is the risk that the Group will sustain losses through adverse movements in interest rates due to the effect such movements have on the value of interest-bearing assets and on the value of future guarantees provided under certain contracts of insurance.

Interest rate risk is managed by matching assets and liabilities where practicable and by entering into swap arrangements where appropriate. This is particularly the case for the non participating funds. For participating business, some element of investment mismatching is permitted where it is consistent with the principles of treating customers fairly. The with profit funds of the Group provide capital to allow such mismatching to be effected. In practice, the life companies of the Group maintain an appropriate mix of fixed and variable rate instruments according to the underlying insurance or investment contracts and will review this at regular intervals to ensure that overall exposure is kept within the risk profile agreed for each particular fund. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

The sensitivity analysis for interest rate risk indicates how changes in the fair value or future cash flows of a financial instrument arising from changes in market interest rates at the reporting date result in a change in profit after tax and shareholder equity. It takes into account the effect of such changes in market interest rates on all assets and liabilities that contribute to the Group's reported profit after tax and shareholder equity, including changes to the impairments of PVIF.

With profit business and non profit business within the with profit funds are exposed to interest rate risk as guaranteed liabilities are valued relative to market interest rates and investments include fixed interest stocks and derivatives. For with profit business the profit or loss arising from mismatches between such assets and liabilities is largely offset by increased or reduced discretionary policyholder benefits. The contribution of these funds to the Group result is determined primarily by either the shareholders' share of the declared annual bonus or by the shareholder's interest in any change in value in the capital advanced to the Groups with profits funds.

In the non participating funds, policy liabilities are duration matched with primarily fixed interest securities, with the result that sensitivity to changes in interest rates is very low.

An increase of 1% in interest rates, with all other variables held constant, would result in a decrease in the profit after tax in respect of a full financial year and a decrease in shareholder equity of £151m (2007: £68m). A decrease of 1% in interest rates, with all other variables held constant, would result in an additional profit after tax in respect of a full financial year and an increase in shareholder equity of £70m (2007: £79m).

Price risk

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices other than from interest rate and currency fluctuations. This is due to factors specific to individual instruments, their issuers or factors affecting all instruments traded in the market. Accordingly, the Group limits the exposure to any one counterparty in its investment portfolios as well as the relevant foreign markets.

The portfolio of marketable equity securities, and property investments, which is carried on the balance sheet at fair value, has exposure to price risk. The Group's objective in holding these assets is to earn higher long term returns by investing in a diverse portfolio of high quality equities and properties. Portfolio characteristics are analysed regularly and price risks are actively managed in line with investment mandates. The Group's holdings are diversified across industries, and concentrations in any one company or industry are limited.

Equity and property price risk is primarily undertaken in respect of assets held in with profit or unit linked funds. For unit linked funds this risk is borne by policyholders and asset movements directly impact unit prices and hence policy values. For with profit funds policyholders' future bonuses will be impacted by the investment returns achieved and hence the price risk. In addition some equity investments are held in respect of equity holders' funds. The Group as a whole is exposed to price risk fluctuations impacting the income flow of management charges from the invested assets of all funds.

Equity and property price risk is managed through the agreement and monitoring of financial risk profiles that are appropriate for each of the Group's life funds in respect of maintaining adequate regulatory capital and treating customers fairly. This is largely achieved through asset class diversification.

The impact of non-government fixed interest securities and, inter-alia, the widening of market credit spreads during the year are fully reflected in the values shown in these financial statements. Similarly, the value of derivatives that the Group holds takes into account fully the changes in swap spreads.

The sensitivity analysis for equity and property price risk illustrates how a change in the fair value of equities and properties affects the Group result. It takes into account the effect of such changes in equity and property prices on all assets and liabilities that contribute to the Group's reported profit after tax and shareholder equity, including changes to the impairment of PVIF.

A 10% decrease in equity/property prices, with all other variables held constant, would result in a decrease in the profit after tax in respect of a full financial year of £154m (2007: £106m) and a decrease in shareholder equity of £154m (2007: £134m).

There is also an exposure to spread changes affecting the prices of corporate bonds and derivatives. This exposure applies to with profit funds, unit linked funds, non-profit funds (where risks and rewards fall wholly to shareholders) and in shareholders' funds.

A 100 basis point widening of credit spreads, with all other variables held constant, would result in a decrease in the profit after tax in respect of a full financial year and shareholder equity of £245m.

Currency risk

The Group's principal transactions are carried out in sterling and therefore its exchange risk is limited principally to foreign operations.

The Group's foreign operations (taken to be those denominated in non-sterling) generally invest in assets in the same currency denomination as their liabilities, so foreign currency mismatch risk between assets and liabilities is largely mitigated. Consequently, the foreign currency risk from the foreign operations mainly arises when the assets and liabilities denominated in a foreign currency are translated into sterling.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment liabilities. Thus the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment liabilities are expected to be settled and, indirectly, from the earnings of UK companies arising abroad.

Within the life operations with profit funds have an exposure to overseas assets which is not driven by liability considerations. The purpose of this exposure is to reduce overall risk whilst maximising returns by diversification. This exposure is limited and managed within the financial policy approved by ALIMCo and the FRCOC. Fluctuations in exchange rates from holdings in overseas assets are hedged against currency risks.

Sensitivity of profit and shareholders' equity to fluctuations in currency exchange rates is not considered significant at 31 December 2008, since unhedged exposure to foreign currency was relatively low.

38.6.3 Liquidity risk

Liquidity risk is defined as the failure of the Group to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. The Group has exposure to liquidity risk as a result of servicing its external debt and equity investors, and the requirements of its subsidiaries. The Group's subsidiaries have exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short term cash-flow requirements.

The Pearl Group Limited Board has defined a number of governance objectives and principles and the liquidity risk frameworks of each subsidiary are designed to ensure that:

- liquidity risk is managed in a manner consistent with the subsidiary companies Life Board's strategic objectives, risk appetite and Principles and Practices of Financial Management (PPFM);
- cashflows are appropriately managed and the reputation of the Group is safeguarded; and
- appropriate information on liquidity risk is available to those making decisions.

The Group's policy is to maintain sufficient liquid assets of suitable credit quality at all times and, where appropriate, to have access to borrowings so as to be able to meet all foreseeable current liabilities as they fall due in a cost-effective manner. Forecasts are prepared regularly to predict required liquidity levels over both the short and medium term allowing management to appropriately respond to changes in circumstances.

Following the technical breach of the Group's group capital adequacy requirements reported to the FSA in November 2008 and explained further in section 38.5, cash payments and asset transfers from regulated entities within the Group are required to be disclosed to the FSA. Whilst enhancing protection of the capital resources of regulated entities within the Group, this restriction creates a source of liquidity risk for the holding companies in the Group. To date, however, this has not presented any practical constraints on the operation of the Group's business.

Financial markets have continued to be volatile during the financial year as evidenced by the widening of credit spreads and the fall in demand of the commercial property market.

A substantial proportion of the Group's assets are invested in listed securities whose liquidity have been impacted by the recent market conditions. During the last half year corporate bonds have become very illiquid, whilst gilt and equity markets continue to be liquid. In line with the long-term nature of the Group's business, the Group is able to hold to maturity those assets that have become illiquid. Generally, the Group has some appetite for illiquid assets, where there is appropriate compensation for the risk taken and where the matching liabilities are equally illiquid.

Some of the Group's commercial property investments are held through a unit trust managed by Ignis Asset Management. This unit trust has the power to restrict and or suspend withdrawals, which would, in turn,

affect liquidity. To date, the unit trust has continued to process both investments and realisations in a normal manner and has not imposed any restrictions or delays.

Liabilities of £271m are carried in the consolidated balance sheet in connection with adjustments to the initial consideration paid by The Royal London Mutual Insurance Society Limited ("Royal London"). Following the conclusion of negotiations between the Group and Royal London, agreement has been reached on revisions to the original settlement terms under which the liabilities of £271m plus accrued interest will be settled in full during 2009 by means of set-off of amounts receivable from Royal London.

The following table provides a maturity analysis showing the remaining contractual maturities of the Group's undiscounted financial liabilities and associated interest:

2008	1 Year or Less on Demand £m	1-5 Years £m	Greater Than 5 Years £m	No Fixed Term £m	Total £m
Debenture loans	158	534	1,951	—	2,643
Derivative liabilities	875	448	4,594	—	5,917
Net assets attributable to unit holders	2,334	—	—	—	2,334
Investment contracts with DPF	10,819	—	—	—	10,819
Non linked investment contracts without DPF	248	—	—	—	248
Deposits received from reinsurers	26	100	356	3,502	3,984
Other creditors including tax and social security	857	40	20	—	917
Creditors arising out of reinsurance operations	21	1	1	—	23
Creditors arising out of direct insurance operations	48	—	—	—	48
Amounts owed to credit institutions	—	—	—	277	277
Obligations for repayment of collateral received	3,100	667	—	914	4,681

Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due within one year, the Group does not expect all these amounts to be paid out within one year of the reporting date.

2007	1 Year or Less on Demand £m	1-5 Years £m	Greater Than 5 Years £m	No Fixed Term £m	Total £m
Debenture loans	85	187	397	—	669
Amounts owed to credit institutions	—	—	—	328	328
Derivative liabilities	116	17	236	—	369
Creditors arising out of direct insurance operations	1	—	—	—	1
Other creditors including taxation and social security	1,332	17	4	—	1,353
Investment contracts with DPF	6,894	—	—	—	6,894
Deposits received from reinsurers	—	—	—	3,647	3,647
Obligations for repayment of collateral received	3,227	—	—	332	3,559

A significant proportion of the Groups financial assets are held in gilts, cash, supranationals and highly rated securities which the Group considers sufficient to meet the liabilities as they fall due.

38.7 Unit linked contracts

For unit linked contracts the Group matches all the liabilities with assets in the portfolio on which the unit prices are based. There is therefore no interest, price, currency or credit risk for the Group on these contracts.

In extreme circumstances, the Group could be exposed to liquidity risk in its unit linked funds. This could occur where a high volume of surrenders coincides with a tightening of liquidity in a unit linked fund to the point where assets of that fund have to be sold to meet those withdrawals. Where the fund affected consists of property, it can take several months to complete a sale and this would impede the proper operation of the fund. In these situations, the Group considers its risk to be low since there are steps that can be taken first within the funds themselves to both ensure the fair treatment of all investors in those funds and to protect the Group's own risk exposure.

39. Acquisition

On 1 May 2008, Impala Holdings Limited ("Impala"), a subsidiary undertaking acquired 100% of the issued share capital of Resolution plc (subsequently renamed Pearl Group Holdings No. 1 Limited ("PGH1L")) for a net provisional consideration of £3,867m. Goodwill of £401m arose on this transaction. The results of PGH1L and its subsidiary undertakings have been included in the consolidated accounts of the Group from the date of acquisition as continuing operations. Acquisition accounting has been adopted for this transaction.

Under the terms of the acquisition, PGH1L shareholders received 720 pence in cash for each share held. As an alternative to receiving some or all of their consideration in cash, shareholders were entitled to receive loan notes issued by the Group which accrue interest at 1% below six month sterling LIBOR. This gave a total fair value of consideration, including acquisition expenses, paid by Impala for the acquisition of PGH1L of £4,966m.

At 31 December 2007, the Group held a 25.93% equity investment in PGH1L via a 20.13% holding carried by Pearl Assurance plc and a 5.80% stake carried by Pearl Group Limited. Impala acquired these shares from Pearl Assurance plc and Pearl Group Limited at £7.20 per share. However, the consolidated balance sheet follows the rules of piecemeal acquisition accounting and reports a total fair value of consideration which comprises the price paid externally by the Group. This results in a reduction of £103m to £7.20 pence per share consideration of £4,966m.

As an integral part of the acquisition, the Company and Impala entered into an agreement with Royal London under which, co-incident with the acquisition of PGH1L, Royal London acquired certain of PGH1L's businesses and assets. The total initial consideration paid by Royal London on 1 May 2008 in connection with this transaction was £1,267.3 million. This consideration has subsequently been adjusted to approximately £996m and remains subject to adjustment.

The table below summarises the assets and liabilities acquired and the fair value adjustments made at the date of acquisition:

	Notes	Book Value £m	Accounting Policy £m	Other Adjust-ments £m	Fair Value £m
Assets					
Intangible assets	6	1,005	—	98	1,103
Investments		37,153	—	—	37,153
Assets held to cover linked liabilities		9,848	—	—	9,848
Reinsurers share of technical provisions		3,085	—	—	3,085
Debtors	1,2	991	77	103	1,171
Other assets		1,503	—	—	1,503
Prepayments and accrued income	4	499	—	(17)	482
Pension scheme		51	—	—	51
Total assets		54,135	77	184	54,396
Liabilities					
Fund for future appropriations		615	—	—	615
Gross technical provisions		35,307	—	—	35,307
Technical provisions for linked liabilities		9,886	—	—	9,886
Financial liabilities		2,392	—	—	2,392
Provision for other risks		60	—	—	60
Deposits received from insurers		444	—	—	444
Creditors	3	1,427	—	(61)	1,366
Accruals and deferred income	5	226	—	(52)	174
Total liabilities		50,357	—	(113)	50,244
Net assets		3,778	77	297	4,152
Less:					
Minority interest					(186)
Perpetual Reset Capital Securities					(500)
Fair value of net assets acquired					3,466
Fair value of consideration					
Cash consideration at £7.20 per share					4,880
Acquisition expenses paid in 2008					7
					4,887
Acquisition expenses paid in 2007					7
Total cash outflow					4,894
Loan notes issued					72
Total consideration at £7.20 per share					4,966
Less:					
Adjustment to consideration for piecemeal purchases					(103)
Total consideration under piecemeal acquisition accounting					4,863
Amount attributed to Royal London					(996)
Net consideration					3,867
Acquired goodwill					401

Notes

(1) The accounting policy change for £77m represents the Groups UKGAAP compliant policy on recognition and discounting of deferred tax which was different to the IFRS compliant policy of PGH1L.

(2) The £103m fair value adjustment represents recognition of additional deferred tax assets.

(3) The £61m fair value adjustment revalues the Scottish Mutual Assurance Limited unsecured subordinated loans to its market value of £149m.

(4) The £(17)m fair value adjustment represents the elimination of deferred acquisition costs in PGH1L.

(5) the £(52)m fair value adjustment represents the elimination of deferred income in PGH1L.

(6) The remaining £98m of fair value adjustments to intangible assets represent the removal and creation of the following intangible assets:

- £1,095m recognition of the present value of acquired in force long-term business;
- £(757)m elimination of the present value of acquired in force long-term business in PGH1L prior to acquisition;
- £(209)m elimination of purchased goodwill reported in PGH1L prior to acquisition;
- £(31)m removal of deferred origination costs reported in PGH1L prior to acquisition

The acquisition of PGH1L represents a material acquisition in accordance with FRS6. PGH1L recorded a loss after tax of £19m for the period 1 January 2008 to 30 April 2008. The profit after tax for the year ended 31 December 2007 was £135m, including a minority interest loss of £13m. The summarised consolidated profit and loss account and statement of total recognised gains and losses of PGH1L for the period from 1 January 2008 to the effective date of the acquisition is given below.

	£m
Earned premiums net of reinsurance	(488)
Loss on ordinary activities before taxation	(21)
Taxation charge on profit on ordinary activities	(1)
Loss after taxation	(22)
Minority interests	3
Loss attributable to shareholders	(19)
Actuarial losses of defined benefit pension scheme	(17)
Tax on items taken direct to equity	5
Total recognised losses arising in the period	(31)

40. Post balance sheet events

On 30 January 2009, approval was granted by the High Court to transfer under Part VII of the Financial Services and Markets Act 2000, certain businesses within Scottish Provident Limited and Scottish Mutual Assurance Limited to Phoenix Life Limited. The effective date of this transfer is 1 January 2009. All of these companies are wholly owned subsidiaries of the Group and therefore there is no financial impact for the Pearl Group.

On 25 March 2009, the Board of PGH1L gave notice to the holders of the Perpetual Reset Capital Securities ("the Notes") of its decision to defer the Coupon payment on the Notes as the next coupon payment date of 25 April 2009. PGH1L has no present intention to initiate the alternative coupon satisfaction mechanism to satisfy the deferred coupon payment. Also, on 30 April 2009 and 15 May 2009, Impala Holdings Limited and the Company respectively deferred interest due on the subordinated loans in issue.

As stated in note 38.6.3 liabilities of £271m are carried in the Group's consolidated balance sheet in connection with potential adjustments to the initial consideration paid by Royal London. Following the negotiations in the post balance sheet period between the Group and Royal London, agreement has been

reached on revisions to the original settlement terms under which the liabilities of £271m plus accrued interest will be settled in full during 2009 by means of set-off of amounts receivable from Royal London.

Since the end of the financial year the Company and the Trustees of Pearl Pension Scheme have entered into an agreement to restructure the contract previously entered into in 2007 under which the Company guaranteed returns on the assets of the Pearl Scheme to ensure that there would be no funding shortfall by 2027. This agreement is conditional upon, amongst other things, the acquisition by Liberty (see below). However, even if the Liberty deal does not proceed, the directors do not expect the cash contributions payable by the Company under any further agreement to change. The principal terms of the agreement provide for the following:

- A cash payment into the scheme of £50m during 2009 followed by cash payments of £20m plus (subject to satisfying appropriate FSA "available resource test") an additional £5m per annum for a period of 10 years, commencing on 30 September 2010.
- The Trustee being granted a first charge over the Company's shares in Pearl Assurance plc, London Life Limited, Pearl Group Services Limited and PGS 2 Limited to secure an amount not exceeding 60% of the deficit arising on the triennial scheme valuation (as calculated in accordance with the terms of the agreement), subject to an initial amount and a maximum of £600m, such security ceasing on a scheme buy out, the Company discharging its liabilities under the agreement or upon a valuation of the scheme demonstrating there is no funding deficit if earlier. Enforcement of the security may take place on the occurrence of various events, the key ones being (i) a failure by the Company to pay agreed cash contributions to the scheme, (ii) an insolvency or other financial difficulties of the Company, (iii) except in certain defined circumstances, payments of interest or principal to the Company's lenders or of dividends to the Company's shareholders being made at a time when the Company has failed to maintain an embedded value of at least 1.3 times the amount secured, (iv) the Company fails to maintain an embedded value of at least 1.05 times the amount secured or (v) the Company grants certain types of security over its assets. For this purpose embedded value is defined as excluding the value of the Company's shareholding in Impala Holdings Limited. NP Life Holdings Limited has also granted a limited recourse share charge over the shares it holds in National Provident Life Limited in favour of the Trustee in respect of the Company's obligation under this agreement. This security is granted on substantially the same terms as the security granted by the Company. The Company has also agreed to provide a share charge over NPI Limited if NPI Limited is not disposed of on certain terms by 31 March 2010.

On 3 June 2009 the shareholders of the Group entered into an exclusivity agreement to exchange their interest in the Group for the issue of shares in Liberty Acquisition 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.

41. Company balance sheet notes

41.1 Fixed assets

	Note	31 Dec 08 £m	Restated 31 Dec 07 £m
Shares in subsidiary undertakings	41.1 (a)	2,574	2,687
Loans to subsidiary undertakings	41.1 (b)	4	4
Loans to related party	41.1 (b)	169	174
Contingent loan to subsidiary undertakings	41.1 (b)	104	150
Other financial investments	41.1 (c)	—	24
Total fixed asset investments		2,851	3,039

(a) Shares in subsidiary undertakings

	£m
Cost	
At 1 January 2008	2,739
Additions	384
Disposals	(196)
At 31 December 2008	2,927
Provision for impairment	
At 1 January 2008	(52)
Charge for the year	(301)
At 31 December 2008	(353)
Net book value	
At 31 December 2007	2,687
At 31 December 2008	2,574

On 2 May 2008 NPI Limited paid £27m to the Company as a partial return of capital contribution previously made.

On 6 March 2008 the Company made a capital contribution of £25m to Pearl Assurance plc. Consideration was in the form of the beneficial interest in the 240,000 £1 ordinary shares in Diligenta Limited (note 41.1 (c)).

During 2008 London Life Holdings Limited was put into members' voluntary liquidation. Shareholders' funds of £188m were distributed to the Company and a realised gain of £19m was recognised.

On 25 April 2008 the Company subscribed for 30,000,150 ordinary A shares and 328,500,000 ordinary B shares in Impala. On 20 November 2008 the Company subscribed for 6 ordinary D shares in Impala.

These shares are the subject of a charge in favour of Sun Capital Investments No. 2 Limited and Hera Investments No. 2 Limited as security for their respective liabilities as borrowers and guarantors under a facility agreement dated 10 October 2007. The charge covers all present and future shares held by the company in Impala and any dividends and other rights relating to the shares after the charge has been enforced against the Company.

The aggregate liabilities of Sun Capital No. 2 Limited and Hera Investments No. 2 Limited under the facility agreement that are the subject of the charge amount to £2,260m at 31 December 2008 (2007: £nil), including accrued interest of £34m (2007: £nil).

During 2008 Pearl Assurance Group Holdings Limited paid dividends to the Company, triggering an impairment in the carrying value of this investment measured by reference to net asset value of £131m.

The carrying value of the Company's investment in Impala has been tested for impairment at the balance sheet date and an impairment of £170m has been recognised to write this fixed asset investment down to its carrying value at 31 December 2008. Value in use has been determined as the present value of the future cash flows associated with the ex-Resolution plc business including the in force long term business, the asset management business and the Service company of the Impala group. The cash flows used in this calculation are consistent with those adopted by management in the Group's operating plan and beyond the period of this plan, reflecting the anticipated run-off of the in force life insurance business. Future cash flows have been valued using discount rates which reflect the risks inherent to each cash flow of between 3.8% (being a rate equal to the risk free rates derived from the gilt yield curve at 31 December 2008 with an addition of 10 bps) and 9.8%.

(b) Loans

	Loan to Subsidiary Undertakings Note(i) £m	Loans to External Undertakings Note(ii) £m	Contingent Loan Note(iii) £m	Total £m
At 1 January 2008 as previously reported	4	174	158	336
Prior year adjustment	—	—	(8)	(8)
At 1 January 2008 as restated	4	174	150	328
Deficit on revaluation	—	—	(46)	(46)
Loan advances	—	53	—	53
Impairment	—	(58)	—	(58)
At 31 December 2008	4	169	104	277
Cost				
At 31 December 2007	4	174	286	464
At 31 December 2008	4	227	286	517

(i) On the 1 July 2007, the Company provided two £2m loans to Axial Investment Management Limited with interest rates of 6 month LIBOR plus a margin of 1.25% and maturity dates of 1 July 2009 and 1 July 2012.

(ii) Loans of £227m with Sun Capital Investment Limited and Hera Investment One Limited were made pursuant to draw downs on a £1.5 billion facility. They accrue interest at a rate of 12% per annum and mature on 14 April 2014. An impairment of £58m has been recognised during the year to reduce the carrying value of these loan assets to their recoverable amount.

(iii) The contingent loan with London Life Limited has an interest moratorium until 31 December 2009. Interest will start accruing on this contingent loan from 1 January 2010 (see note 32).

(c) Other financial investments

	31 Dec 08		31 Dec 07	
	Carrying Value £m	Cost £m	Carrying Value £m	Cost £m
Ordinary shares	—	—	24	—

On 6 March 2008 the Company made a capital contribution of £25m to Pearl Assurance plc. Consideration was in the form of the beneficial interest in 240,000 £1 ordinary shares in Diligenta Limited.

41.2 Debtors — due within one year

	31 Dec 08 £m	31 Dec 07 £m
Amounts due from Group undertakings	—	8
Other debtors	—	23
Prepayments and accrued income	17	16
	17	47

41.3 Current asset investments

	31 Dec 08 £m	31 Dec 07 £m
At 1 January	294	2
Additions	1	295
Disposals	(286)	(1)
Surplus/(deficit) on revaluation	2	(2)
At 31 December	11	294

During the year the Company disposed of 39,777,537 shares in Resolution plc for consideration of £286m.

During the year the Company provided loans of £1m to individuals.

41.4 Creditors: amounts falling due within one year

	31 Dec 08 £m	Restated 31 Dec 07 £m
Amount owed to Group undertakings	929	1,275
Loans due to Group undertakings (note 41.6)	80	112
Other creditors	42	284
Accruals and deferred income	20	22
	1,071	1,693

41.5 Creditors: amounts falling due after more than one year

	31 Dec 08 £m	Restated 31 Dec 07 £m
Loans due to Group undertakings (note 41.6)	658	269
Loans due to external undertakings (note 41.6)	171	171
Derivative liability	10	—
	839	440

41.6 Loans

	31 Dec 08 £m	Restated 31 Dec 07 £m
£171 million 12% subordinated loans (note a)	171	171
Loans due to Group undertakings	738	381
	909	552

(a) The Company issued subordinated loan notes of £85.5m each to Sun Capital Investments Limited and Hera Investments One Limited at par on 13 April 2005 at an interest rate of 12% per annum and mature on 13 April 2015.

	31 Dec 08 £m	Restated 31 Dec 07 £m
Payable as Follows:		
In one year or less, or on demand	80	112
Between one and five years	455	—
In five years or more	374	440
	909	552

	31 Dec 08 £m	Restated 31 Dec 07 £m
Nature of Borrowings:		
Fixed rate borrowings	189	189
Floating rate borrowings	691	334
Interest free borrowings	29	29
	909	552

41.7 Deferred taxation

Reconciliation of movements in deferred tax:

	31 Dec 08 £m	31 Dec 07 £m
At 1 January and 31 December	7	7

The components of the net deferred tax liability are as follows:

	31 Dec 08 £m	31 Dec 07 £m
Unrealised gains	7	7
Total on an undiscounted and a discount basis	7	7

41.8 Reserves and reconciliation of movement in shareholders' funds

	Share Capital £m	Subordinated Loan £m	Profit and Loss Account £m	Shareholders' Funds £m
At 1 January 2007 as previously reported	596	—	255	851
Prior year adjustment (see accounting policies)	—	289	17	306
At 1 January 2007 as restated	596	289	272	1,157
Profit after taxation for the year ended 31 December 2007	—	—	194	194
Interest on subordinated debt	—	—	(35)	(35)
Dividends (note 6)	—	—	(33)	(33)
Fair value adjustment on available for sale financial assets	—	—	(2)	(2)
Actuarial gains on pension scheme	—	—	(11)	(11)
Tax on items taken directly to equity	—	—	3	3
At 31 December 2007	596	289	388	1,273
Loss after taxation for the year ended 31 December 2008	—	—	(128)	(128)
Interest on subordinated debt	—	—	(35)	(35)
Dividends (note 6)	—	—	(101)	(101)
Fair value adjustment on available for sale financial assets	—	—	2	2
Actuarial losses on pension scheme	—	—	(158)	(158)
Tax on items taken directly to equity	—	—	44	44
At 31 December 2008	596	289	12	897

The profit and loss account of the Company at 31 December 2008 includes £157m (2007: £169m) which is non-distributable.

The Company issued subordinated loan notes of £144.5m each to Sun Capital Investments Limited and Hera Investments One Limited at par on 13 April 2005 at an interest rate of 12% per annum and will continue without limit of time. As these loans have no fixed maturity dates and interest payments may be deferred in certain circumstances at the option of the Company, they meet the definition of equity for financial reporting purposes. Interest of £35m was paid on these loans during the year (2007: £35m).

PEARL GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARL GROUP LIMITED

We have audited the Group and parent Company accounts (the "financial statements") of Pearl Group Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 40. These financial statements 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 financial statements 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 financial statements 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 financial statements 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 financial statements.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 financial statements 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 financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 December 2007 and of the Group's profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London
20 March 2008

PEARL GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Technical account for long-term business
For the year ended 31 December 2007

	Notes	31 Dec 07 £m	31 Dec 06 £m
Gross premiums written	2.1	491	525
Outward reinsurance premiums		(3,858)	(4)
Earned premiums, net of reinsurance	2.2	(3,367)	521
Investment income	3	1,107	1,932
Other technical income	4.1	137	127
Total technical income		(2,123)	2,580
Gross claims paid		(2,191)	(2,402)
Reinsurers' share		309	1
Net claims paid		(1,882)	(2,401)
Change in the gross and net provision for claims		6	3
Claims incurred, net of reinsurance		(1,876)	(2,398)
Change in gross long-term business provision			
— Change in insurance contracts (note 24)		238	863
— Change in investment contracts with discretionary participation features (note 24)		696	610
Change in reinsurers' share		3,837	(9)
Change in long-term business provision		4,771	1,464
Change in technical provisions for linked liabilities, net of reinsurance		(264)	(417)
Change in technical provisions, net of reinsurance		4,507	1,047
Net operating expenses	1.1	(105)	(134)
Investment expenses and charges	3	(79)	(69)
Unrealised losses on investments	3	(215)	(762)
Other technical charges	1.2	(106)	(65)
Taxation credit/(charge) attributable to the long-term business	5.1	40	(16)
Transfer from/(to) the fund for future appropriations	23	40	(68)
Balance on the technical account — long-term business	2.8	83	115

All activities relate to continuing operations.

PEARL GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED)
Non-technical account
For the year ended 31 December 2007

	Notes	31 Dec 07 £m	31 Dec 06 £m
Balance on the long-term business technical account			
Continuing operations	2.8	83	115
Taxation attributable to balance on long-term business technical account	5.1	36	50
Shareholders' pre-tax profit from long-term business		119	165
Investment income	3	87	60
Unrealised gains/(losses) on investments	3	8	(14)
Investment expenses and charges	3	(89)	(71)
Other income		32	50
Other charges	1.2	(8)	(10)
Profit on ordinary activities before exceptional items and taxation		149	180
Non-operating exceptional items			
Negative goodwill on acquisition of subsidiary undertakings		—	11
Profit on disposals	7	—	109
Profit on ordinary activities before taxation		149	300
Taxation charge on profit on ordinary activities	5.1	(35)	(60)
Profit on ordinary activities attributable to shareholders		114	240

PEARL GROUP LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2007

	Notes	31 Dec 07 £m	31 Dec 06 £m
Profit for the financial year		114	240
Fair value adjustment on available for sale financial assets		(2)	—
Actuarial (losses)/gains on pension scheme	34.1	(11)	9
Tax on items taken directly to equity		3	(3)
Total recognised gains arising in the year		104	246

PEARL GROUP LIMITED

CONSOLIDATED BALANCE SHEET
At 31 December 2007

	Notes	31 Dec 07 £m	31 Dec 06 £m
ASSETS			
Intangible assets			
Goodwill	9	(76)	(82)
Present value of future profits (note 10.2)		68	74
Present value of acquired in force long-term business	10.1	8	8
Deferred origination costs	11	21	26
		21	26
Investments			
Land and buildings	12	460	441
Investments in joint venture			
— share of gross assets		468	—
— share of gross liabilities		(338)	—
— loans		18	—
	13.1	148	—
Investments in associates	13.2	693	600
Other financial investments	14.1	20,887	21,104
		22,188	22,145
Assets held to cover linked liabilities	16	3,963	4,182
Reinsurers' share of technical provisions			
Long-term business provision (note 24)		3,850	13
Claims outstanding		15	185
		3,865	198
Debtors			
Debtors arising out of direct insurance operations	17.1	14	18
Other debtors	17.2	88	83
		102	101
Other assets			
Tangible assets	18	4	—
Cash at bank and in hand		644	458
		648	458
Prepayments and accrued income			
Accrued interest and rent		255	287
Deferred acquisition costs	19	—	2
Other prepayments and accrued income		18	14
		273	303
Total assets		31,060	27,413

PEARL GROUP LIMITED

CONSOLIDATED BALANCE SHEET — (Continued)
At 31 December 2007

	Notes	31 Dec 07 £m	31 Dec 06 £m
LIABILITIES			
Capital and reserves			
Called up share capital	20.2	596	596
Profit and loss account	21	583	512
Equity shareholders' funds	21	1,179	1,108
Minority interest	22	2	—
Fund for future appropriations	23	316	356
Gross technical provisions			
Long-term business provision			
— Insurance contracts (note 24)		12,097	12,335
— Investment contracts with discretionary participation features (note 24)		6,894	7,590
Claims outstanding	25	135	308
		19,126	20,233
Technical provisions for linked liabilities	26	3,963	4,182
		23,089	24,415
Financial liabilities			
Derivative liabilities	15	311	111
Provision for other risks			
Deferred taxation	27.1	21	44
Other provisions	28	76	90
		97	134
Deposits received from reinsurers	14.2.1	3,647	—
Creditors			
Creditors arising out of direct insurance operations		1	1
Debenture loans	29.2	680	691
Amounts owed to credit institutions	29.3	328	291
Other creditors including taxation and social security	30	1,370	272
		2,379	1,255
Accruals and deferred income		40	34
Total liabilities		31,060	27,413

The accounts were approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Director

PEARL GROUP LIMITED

COMPANY BALANCE SHEET
At 31 December 2007

	Notes	31 Dec 07 £m	31 Dec 06 £m
Fixed assets			
Investments	39.1	3,047	3,074
Current assets			
Debtors			
— due within one year	39.2	47	41
— due after more than one year		—	4
Investments	39.3	294	2
Cash at bank		33	13
		374	60
Creditors: amounts falling due within one year	39.4	(1,710)	(1,654)
Net current liabilities		(1,336)	(1,594)
Total assets less current liabilities		1,711	1,480
Creditors: amounts falling due after more than one year	39.5	(729)	(622)
Provisions for liabilities	39.7	(7)	(7)
Net assets		975	851
Capital and reserves			
Called up share capital	20.2	596	596
Profit and loss account	39.8	379	255
Equity shareholders' funds	39.8	975	851

The accounts were approved by the Board of Directors on 20 March 2008 and signed on its behalf by:

Director

PEARL GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2007

	Notes	31 Dec 07 £m	31 Dec 06 £m
Operating activities			
Net cash inflow from operating activities	33.1	1,249	252
Returns on investments and servicing of finance			
Interest paid		(70)	(56)
Interest received		15	5
Net cash outflow from servicing of finance		(55)	(51)
Tax			
Group relief (paid)/received		(1)	18
Capital expenditure and financial investments			
New loan investments		—	(188)
Tangible fixed assets		(4)	—
Part disposal of subsidiary undertaking		2	—
Net cash outflow from capital expenditure and financial investments		(2)	(188)
Acquisitions and disposals			
Net cash inflow from acquisitions and disposals	33.2	—	130
Equity dividends paid			
Equity dividends paid		(33)	(199)
Net cash flows available for investment		1,158	(38)
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	33.6	58	(93)
Net purchases of investments	33.6	1,100	55
Net investment of cash flows		1,158	(38)

The Consolidated Cash Flow Statement does not include any amounts relating to long-term business except cash transactions between the long-term business and shareholder funds and movements in cash held by the Pacific fund.

ACCOUNTING POLICIES

Basis of preparation

The consolidated accounts of the Company and its subsidiary undertakings have been prepared in accordance with the special provisions for insurance groups of Section 255A of, and Schedule 9A to the Companies Act 1985 except as noted for land and buildings (see accounting policy below). The entity accounts of the Company have been prepared in accordance with Schedule 4 to the Companies Act 1985. The consolidated accounts have also been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments, and comply with the UK Statement of Recommended Practice on Accounting for Insurance Business (SORP) issued by the Association of British Insurers in 2005 and amended in 2006.

The Group has adopted the requirements of FRS 29 "Financial Instruments: Disclosures" and the amendment to FRS 26 "Financial Instruments: Measurement Recognition and Derecognition" in its current accounts. The adoption of the amendment to FRS 26 has had no impact on the results of the Company or Group.

Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year using consistent accounting policies. No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal as appropriate. Where there is a loss of control of a subsidiary, the consolidated accounts include the results for the part of the reporting year during which the Group has control. Minority interests represent the equity interests in subsidiaries not held by the Group.

Interests in Property Limited Partnerships (PLPs) and Jersey Property Unit Trusts (JPUTs) within the long-term business which effect or establish policyholders' rights or are otherwise held as part of the Group's investment portfolio are accounted for as subsidiaries, joint ventures, associates or other financial investments depending on the holdings of the Group and on the level of influence and control that the Group exercises. Where the interest is managed by a contractual agreement such that no one party exerts control, notwithstanding the Group's share, both direct and indirect, may be greater than 50%, such interests have been accounted for as joint ventures. Where the interest is managed by a contractual agreement, such that the Group can exercise a significant influence, but one other party controls the partnership, such interests have been accounted for as associates. Where the Group holds minority stakes, with no disproportionate influence, the relevant investments are included in other financial investments at their market value.

Principal associated undertakings (both associates and joint ventures) are accounted for by the equity method in the consolidated accounts. The profit or loss in respect of interests in associated undertakings attributable to the long-term business fund are treated as investment income within the technical account for long-term business.

General business

Basis of accounting

Provision has been made for obligations that have been incurred that are not expected to be covered by the future profits of the operation, including the expected future investment return on the related assets and their disposal. The result of the general insurance business is included within other technical income in the technical account for long-term business.

Claims

Full provision is made for the estimated cost of claims, including claims incurred but not reported after taking into account handling costs, anticipated inflation and settlement trends. Any difference between the estimated provision and subsequent settlement is dealt with in the technical accounts of later years.

Classification of contracts

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

Insurance contracts and investment contracts with discretionary participation features (DPF)

Premiums

Long-term insurance contract premiums, investment contracts with DPF and annuity considerations are credited when they become due, which for single premium business is the date from which the policy is effective. For regular premium contracts, receivables are recorded at the date when payments are due. Reinsurance premiums are charged when they are payable.

Funds at retirement under individual pension contracts left with the Group are classified as new business single premiums and for accounting purposes are included in both claims incurred and as single premiums within gross premiums written.

Claims

Claims payable on maturity of insurance contracts and investment contracts with DPF are recognised when the claim becomes due for payment and on death are accounted for on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within the long-term business provision. Where claims are payable and the contract remains in force, the claim instalment is accounted for when due for payment. Claims payable include the costs of settlement.

Long-term business provision for insurance contracts and investment contracts with DPF

Participating business

The provision for participating, or with profits, business is calculated initially to comply with the requirements of the Financial Services Authority's realistic capital regime, as set out in section 1.3 of the Prudential Sourcebook for Insurers. The results are then adjusted to exclude the shareholders' share of future bonuses and the associated tax liability and to deduct amounts recognised for the present value of future profits on non participating business written in the with profits fund. The principal assumptions are given in note 24.

Non participating business

The long-term business provision for non participating non linked business is calculated initially to comply with the requirements under the Prudential Sourcebook for Insurers using a gross premium valuation method or a method at least as prudent as the gross premium method. The provision is adjusted where necessary to remove excessively prudent margins required for statutory solvency purposes by eliminating the undistributed surplus carried forward together with general contingency reserves and reserves required under the Prudential Sourcebook for Insurers.

The provision includes allowance for prudent lapses and also allows policies with no guaranteed surrender values and policies where guaranteed surrender values only become applicable after a specified period of time, in the periods where they do not have guaranteed surrender values, to have negative values. The principal assumptions are given in note 24.

Deferred acquisition costs

Acquisition costs, comprising all direct and indirect costs arising from the conclusion of non participating insurance contracts, are deferred as an explicit acquisition cost asset, gross of tax. This asset is amortised over the period in which the costs are expected to be recoverable out of margins from matching revenues from related policies and in accordance with the pattern of such margins. At the end of each accounting period, deferred acquisition costs are reviewed for recoverability, by category, against future margins from the related policies in force at the balance sheet date.

Profit recognition and the fund for future appropriations

The Group has adopted the modified statutory solvency basis approach in the determination of profit on non participating business.

Surpluses arising from participating business, as a result of the annual actuarial valuation of the related assets and liabilities, are subject to appropriation by the directors of the relevant life company subsidiaries to participating policyholders, by way of bonuses, and to shareholders. The shareholders' share of the appropriated surplus determines the profit reported in respect of participating business. All surplus in other business is attributable to shareholders and included in profit.

The fund for future appropriations (FFA) comprises the shareholders share of the inherited estate of the Group's closed participating businesses and other shareholder items only. The policyholders' share of this estate is included within the long-term business provision.

Present value of future profits on non participating business in the with profits fund

In determining the realistic value of liabilities for with profits contracts the value of future profits on non participating business written in the with profits fund is taken into account. Although not separately identifiable, the long-term business provision, or where appropriate, the contingent loan valuation, includes the excess of the value of those future profits that are taken into account in calculating the realistic liabilities. Since it is not possible to apportion the future profits on this non participating business between the amount relating to the policyholder liabilities and the business held in the long-term business provision or the contingent loan, the present value of future profits (PVFP) on this business is recognised as an asset and changes in its value are recorded in the long-term business technical account. Where the future profits on this non participating business are fully attributable to the long-term business provision, the PVFP is deducted in arriving at the long-term business provision.

The value of the PVFP is determined in accordance with the FSA's realistic capital regime. The principal assumptions used to calculate the PVFP are the same as those used in calculating the long-term business provision given in note 24.

Investment contracts without DPF

Receipts and payment on investment contracts without DPF are accounted for using deposit accounting, under which the amounts collected and paid out are recognised in the balance sheet as an adjustment to the liability to the policyholder.

Revenue from investment contracts

Revenue from investment contracts comprises amounts assessed against policyholders' account balances for policy administration and surrender charges and are recognised as the related services are provided and presented as other technical income.

Technical provisions for linked liabilities on investment contracts without DPF

The technical provision in respect of linked business is determined by reference to the value of the underlying assets that are held to meet these liabilities. Where the surrender value of such contracts exceeds

the value determined by reference to underlying assets, the difference is recognised as part of the long-term business provision.

Deferred origination costs

Origination costs, comprising all incremental costs arising from the conclusion of investment contracts are deferred as an explicit intangible asset, gross of tax. This asset is amortised over the period in which the costs are expected to be recoverable out of margins from matching revenues from related policies and in accordance with the pattern of such margins. Deferred origination cost amortisation is presented within net operating expenses in the technical account for long-term business. At the end of each accounting period, deferred origination costs are reviewed for recoverability, by category, against future margins from the related policies in force at the balance sheet date.

Investment income, realised and unrealised gains and losses on investments

Dividends are included as investment income on the date that the right to receive payment has been established. Interest income is recognised as the interest accrues using the effective yield method. Rental income on investment properties is accounted for on a straight line basis over the lease term on ongoing leases.

Gains and losses (both realised and unrealised) on financial assets designated as at fair value through profit or loss are recognised in the consolidated profit and loss account. Unrealised gains and losses on available for sale assets are recognised in the consolidated statement of total recognised gains and losses; realised gains and losses are transferred to the consolidated profit and loss account.

Realised gains and losses on investments are calculated as the difference between the net sales proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their original cost, or if they have been previously revalued, the valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the period also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Goodwill

Goodwill arising on acquisitions, being the difference between the fair value of the purchase consideration and the fair value of net assets acquired, is capitalised in the balance sheet and amortised over its useful economic life or twenty years if shorter. Negative goodwill up to the fair value of non-monetary assets acquired is recognised in the consolidated profit and loss account in the periods in which the non-monetary assets are recovered. Any negative goodwill in excess of the fair value of the non-monetary assets acquired is recognised in the consolidated profit and loss account in the periods expected to be benefited. The carrying value of goodwill is reviewed for impairment at the end of the first full year following an acquisition and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Land and buildings

Included within land and buildings is investment property, which is property held to earn rentals and/or for its capital appreciation. Investment property is initially measured at cost including all transaction costs and is subsequently stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the consolidated profit and loss account in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the consolidated profit and loss account in the year of derecognition.

In accordance with SSAP19 "Investment Properties", no depreciation is provided on land and buildings. This is a departure from the Companies Act 1985 which requires all properties to be depreciated. However, these properties are held solely for investment purposes and management consider that systematic depreciation would be inappropriate. Depreciation is only one of the factors reflected in the annual valuation of properties and the amounts which might otherwise have been shown cannot reasonably be separately identified or quantified. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view.

Financial instruments

Financial assets — Group

Debt securities, equity securities and holdings in authorised collective investment schemes are measured at fair value and either designated as at fair value through profit and loss in accordance with the documented risk strategy of the Group or as available for sale. Gains and losses arising from changes in fair value on assets designated as at fair value through profit and loss are included in the consolidated profit and loss account. Gains and losses arising from changes in fair value on available for sale assets are initially recognised in the consolidated statement of total recognised gains and losses. On derecognition or impairment of available for sale assets, the cumulative fair value gains and losses previously reported through the consolidated statement of total recognised gains and losses is transferred to the consolidated profit and loss account.

Financial assets — Company

Investments in shares in subsidiary undertakings are included at cost less any provision for impairment where circumstances indicate that the carrying value may not be recoverable. Investments in loans to subsidiary undertakings are designated as loans and receivables and valued at amortised cost. Investments in contingent loans to subsidiary undertakings are designated as a loan and receivable valued at amortised cost, containing an embedded derivative reflecting the contingent nature of the loan recognised at its fair value. Fair value is measured by reference to the contingent loan liability in the subsidiary undertaking.

Financial liabilities

Non-linked liabilities are stated at amortised cost. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Any difference between the proceeds, net of transaction costs and the redemption value is recognised in the consolidated profit and loss account over the period of the financial liability using the effective interest method.

Derivative financial instruments

The Group uses derivative financial instruments to mitigate against market, liquidity and credit 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 consolidated profit and loss account. Derivative financial instruments include swaps, swaptions, futures, forwards and option contracts, all of which derive their value mainly from the underlying interest rates, foreign exchange rates, equity and debt instruments.

Fair value estimation

The fair value of financial instruments traded in active markets such as publicly traded securities and derivatives, are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price on the trade date. The fair value of investments that are not traded in an active market is determined using valuation techniques. Regular way purchases and sales of financial assets are accounted for at trade date. The fair value of shares and other variable yield securities and of derivative financial instruments, are estimated using pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the balance sheet date. Where discounted cash

flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

For units in unit trusts and shares in open ended investment companies, fair value is by reference to published bid-values. The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The fair value of fixed-interest bearing deposits is estimated using discounted cash flow techniques.

Present value of acquired in force business

The present value of acquired in force business (PVIF) is recognised in the balance sheet as an asset. To the extent that the acquired PVIF will be recognised as profit over the remaining lifetime of the related in force policies, it is amortised on a systematic basis, and the discount unwound, over the anticipated lives of the related contracts of the portfolios. The carrying value of the asset is tested annually for indicators of impairment. Any amortisation or impairment charge is recorded as other technical charges in the long-term business technical account. The principal assumptions used to calculate the PVIF are the same as those used in calculating the long-term business provision given in note 24.

Tangible assets

Tangible assets are capitalised and depreciated by equal annual instalments over their estimated useful economic lives of between 1 and 5 years.

Taxation

The Group 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 consolidated profit and loss account.

Expenses and assets are recognised net of the amount of VAT except where this tax is not wholly recoverable, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item. Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

The transfer from the long-term business account to the non-technical account is grossed up at the longer term effective rate of corporation tax.

Employee benefits

The Group provides employees with retirement benefits through both defined benefit and defined contribution plans. The assets of these plans are generally held separately from the Group'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 consolidated balance sheet. The Group'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 consolidated statement of total recognised gains and losses. Contributions to the defined contribution scheme are charged to the consolidated profit and loss account as they become payable in accordance with the rules of the scheme.

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.

Foreign currencies

Transactions in currencies other than sterling are recorded at the rate appropriate at the time of accounting for the transaction. Currency balances at the year end are converted at the year-end spot rate. For monetary assets and liabilities within the long-term funds the resulting exchange adjustments are included within the technical account. For assets and liabilities held outside of the long-term funds any resulting exchange adjustments are taken to the non-technical account.

PEARL GROUP LIMITED

NOTES TO THE ACCOUNTS

1. Net operating expenses and other charges

1.1 Net operating expenses

	31 Dec 07 £m	31 Dec 06 £m
Acquisition costs:		
Commission	—	2
Other	—	3
Change in deferred origination costs (note 11)	5	4
Change in deferred acquisition costs (note 19)	2	2
Administrative expenses	98	123
	105	134

1.2 Other technical charges and other charges

	Technical Account Long-Term Business		Non-Technical Account	
	31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
Increase in contingent loan liabilities	4	47	—	—
Movement in present value of future profits on non participating business in the with profits fund (note 10.2)	6	4	—	—
Movement in deposits received from reinsurers	96	—	—	—
Other technical charges	—	14	—	—
Other charges	—	—	8	10
	106	65	8	10

1.3 Analysis of staff costs

	31 Dec 07 £m	31 Dec 06 £m
Staff costs comprise:		
Salaries and wages	29	29
Social security costs	3	3
Pension costs (note 34.1)	3	5
Total	35	37

1.4 Average employee numbers

The average number of employees of the Group during the year ended 31 December 2007 was 225 (31 December 2006 : 424).

1.5 Auditors' remuneration

	31 Dec 07 £m	31 Dec 06 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.1	0.2
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	0.6	0.9
Other services pursuant to legislation	0.2	0.4
All other services	0.3	0.1
	1.2	1.6

2. Segmental information — Long-term business

Almost all business is direct and written in the UK in respect of continuing operations.

2.1 Analysis of gross premiums written

	31 Dec 07 £m	31 Dec 06 £m
Premiums from individuals	485	511
Premiums from group contracts	6	14
	491	525
Life business	127	162
Annuity business	5	4
Pension business	359	359
	491	525

2.2 Analysis of earned premiums, net of reinsurance

	31 Dec 07 £m	31 Dec 06 £m
Premiums from individuals	(3,369)	511
Premiums from group contracts	2	10
	(3,367)	521
Life business	124	157
Annuity business	5	5
Pension business	(3,496)	359
	(3,367)	521

Effective 1 January 2007, the Pearl Group life companies entered into reassurance arrangements with Opal Reassurance Limited, an external reassurer, under which the Group reassured its pension non — profit annuity in payment liabilities. The initial premium of £3,855m for the reassurance of this business is included in outward reinsurance premiums.

2.3 Analysis of gross premiums written by way of direct insurance split by premium type

	31 Dec 07 £m	31 Dec 06 £m
Regular premiums	235	282
Single premiums	256	243
	491	525

Industrial branch premiums of £9m (2006 : £12m) are classified as regular premium with profits life business in the above analysis.

2.4 Analysis of gross premiums written by way of direct insurance split by contract type

	31 Dec 07 £m	31 Dec 06 £m
Non participating contracts	284	260
Participating contracts	207	265
	491	525

Investment contracts without DPF (i.e. linked contracts) are accounted for using deposit accounting, with amounts collected being recognised in the balance sheet as an adjustment to the liability to the policyholder.

2.5 Analysis of new gross written premiums

	31 Dec 07 £m	31 Dec 06 £m
Annuity business	5	4
Pension business	251	239
	256	243

2.6 New business annual premium equivalent

	31 Dec 07 £m	31 Dec 06 £m
Annual premium equivalent	26	24

2.7 Analysis of new gross premiums written by way of direct insurance

	31 Dec 07 £m	31 Dec 06 £m
Single premiums	256	243
Non participating contracts	249	224
Participating contracts	7	19
	256	243

In classifying new business premiums, the basis of recognition adopted is as follows:

- incremental increases on existing policies are classified as new business premiums;
- rebates from the Department of Social Security are classified as new single premiums; and

- funds at retirement under individual pension contracts left with the Group are classified as new business single premiums and for accounting purposes are included in both claims incurred and as single premiums within gross written premiums.

2.8 Analysis of balance on technical account.

	31 Dec 07 £m	31 Dec 06 £m
Non-linked:		
Life and annuity business	11	34
Pension business	32	25
Shareholders' attributable assets	28	(3)
	71	56
Linked:		
Life business	2	33
Pension business	10	17
	12	50
Release of fair value adjustment for subordinated debt	—	9
Balance on technical account — long-term business	83	115

The reinsurance balance amounted to a credit to the long-term business technical account at 31 December 2007 of £127m (2006: charge of £9m).

3. Investment return

	Technical Account Long-Term Business		Non-Technical Account	
	31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
Income from loans and receivable at amortised cost	12	11	29	10
Income from financial assets at fair value through profit and loss	1,052	1,117	56	46
Income from other financial investments	1,064	1,128	85	56
(Loss)/income from participating interests	(39)	163	—	—
Income from land and buildings	7	11	—	—
Gains on realisation of investments	75	630	—	—
Net expected return on pension assets (note 34.1)	—	—	2	4
Investment income	1,107	1,932	87	60
Unrealised (losses)/gains	(215)	(762)	8	(14)
Investment management expenses and charges	(53)	(49)	—	(1)
Losses on realisation of investments	—	—	(3)	(2)
Interest expense on financial liabilities at amortised cost	(26)	(20)	(86)	(68)
Investment expenses and charges	(79)	(69)	(89)	(71)
Total investment return	813	1,101	6	(25)

Net (losses)/gains on financial assets at fair value through profit and loss included in total investment return are:

	Technical Account Long-Term Business		Non-Technical Account	
	31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
Assets designated upon initial recognition	(226)	87	30	(15)
Assets held for trading	108	(90)	(24)	1
	(118)	(3)	6	(14)

Interest expenses for financial liabilities not at fair value through profit and loss comprises:

	Technical Account Long-Term Business		Non-Technical Account	
	31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
Debenture loans	26	20	69	68
Other creditors	—	—	17	—
Technical provisions for linked liabilities (note 26)	264	417	—	—
Investment contracts with DPF	109	374	—	—
	399	811	86	68

The interest expense relating to financial liabilities at amortised cost in respect of investment contracts without DPF (Technical provisions for linked liabilities) is included in the long-term business technical account as the "Change in technical provisions for linked liabilities, net of reinsurance".

The interest expense in respect of investment contracts with DPF is calculated as the increase in the realistic liability for those contracts not attributable to amounts received from, or paid to, policyholders and is presented within the long-term business technical account under the heading "Change in long-term business provision".

4. Other income

4.1 Other technical income

	Technical Account Long-Term Business	
	31 Dec 07 £m	31 Dec 06 £m
Investment contract income	54	55
Decrease in contingent loan liability	81	59
General business	—	—
Other	2	13
	137	127

5. Taxation

5.1 Taxation

	Technical Account Long-Term Business		Non-Technical Account	
	31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
United Kingdom corporation taxation				
Current tax charge for the year	23	27	—	—
Adjustments for previous years	(38)	(28)	(7)	(4)
	(15)	(1)	(7)	(4)
Tax attributable to the balance on long-term business technical account	—	—	36	50
Total current taxation	(15)	(1)	29	46
Deferred taxation				
Origination and reversal of timing differences	(24)	19	2	8
Decrease in discount	(1)	(2)	—	—
Total charged to deferred taxation	(25)	17	2	8
Charged to staff pension scheme				
Origination and reversal of timing differences	—	—	4	6
Total deferred taxation	(25)	17	6	14
Total tax (credit)/charge	(40)	16	35	60

After taking into account reliefs to which the Group is entitled, UK corporation tax on taxable profits attributable to shareholders has been accounted for at the rate of 30%. The tax rate for the life policyholders is 20%.

5.2 Factors affecting tax charge for year

The tax assessed in the year is lower than the standard rate of corporation tax in the UK and the differences are explained below.

The standard rate of tax has been determined by using the UK rate enacted for the year for which the profits will be taxed.

	31 Dec 07 £m	31 Dec 06 £m
Profit on ordinary activities before taxation	149	300
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	45	90
Effects of:		
Non-taxable book losses on revaluation of long-term business	24	3
Non-taxable unrealised gains on investments	(25)	—
Non-taxable goodwill write back	(2)	(5)
Other disallowable expenses	3	5
Timing differences other than on long-term business	(7)	(16)
Adjustment to taxation charge in prior years	(7)	(4)
Current taxation losses surrendered for £nil value	1	—
Non taxable income	(3)	(27)
Current taxation charge for the year	29	46

6. Dividends

	31 Dec 07 £m	31 Dec 06 £m
Interim ordinary paid dividends:		
5.60p per £1 share (2006: 33.39p per £1 share)	33	199

7. Exceptional items — profit on disposals

The non-operating exceptional items have arisen from the following disposals:

	31 Dec 07 £m	31 Dec 06 £m
Business Process Outsource	—	56
Premier Pension Trustees Limited	—	(2)
General Insurance	—	55
	—	109

Business Process Outsource

On 10 March 2006 the Group via Pearl Group Services Limited entered into a comprehensive Business Process Outsource ("BPO") agreement with Diligenta Limited, a newly formed subsidiary of TCS which gave rise to a profit of £56m in that year. The tax effect in the non-technical account relating to this non-operating exceptional item in 2006 was a tax charge of £16m.

Premier Pension Trustees Limited

On 12 June 2006 the Group sold the entire issued share capital of Premier Pensions Trustees Limited to JLT Benefit Solutions Limited for consideration of £1m. A provision for £2m was established on disposal to cover anticipated costs associated with the sale. A loss on disposal of £2m was recognised during 2006.

General Insurance

Agreement was reached with Lloyds TSB on 20 July 2006 for the transfer by Pearl Assurance plc ("Pearl") of the rights to renew existing General Insurance policies and to market General Insurance products to Pearl customers using the Pearl brand. A net upfront profit of £55m arose on this transaction in 2006. The tax effect in the non-technical account relating to this non-operating exceptional item in 2006 was a tax charge of £17m.

8. Directors' emoluments

	31 Dec 07 £'000	31 Dec 06 £'000
Emoluments (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	2,080	2,838

No directors are members of either a money purchase or a defined benefit pension scheme or have received awards during the year in the form of shares under long-term incentive schemes.

	31 Dec 07 £'000	31 Dec 06 £'000
Highest paid director's remuneration:		
Aggregate amount of emoluments and awards under long-term incentive schemes (excluding pension contributions, share options gains and share awards arising from long-term incentive schemes)	622	955

The highest paid director is not a member of a defined benefit pension scheme.

The emoluments disclosed in the notes to these accounts are in respect of the directors with qualifying services for 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.

9. Goodwill

	£m
Cost	
At 1 January 2007 and 31 December 2007	(351)
Amortisation and impairment	
At 1 January 2007	269
Amortisation for the year	6
At 31 December 2007	275
Net book value	
At 31 December 2007	(76)
At 31 December 2006	(82)

10. Present value of future profits

10.1 Present value of acquired in force long-term business

	£m
Cost and Net book value	
At 1 January/31 December 2007	8

No amortisation has been charged on the acquired PVIF in the period since the value in use exceeds the current carrying value.

10.2 Present value of future profits on non participating business in the with profits fund

The value of the PVFP is determined in accordance with the FSA's realistic capital regime. The principal assumptions used to calculate the PVFP are the same as those used in calculating the long-term business provision given in note 24.

During the year £6m (2006: £4m) of PVFP was released to the technical account for long-term business.

11. Deferred origination costs

	£m
At 1 January 2007	26
Decrease in period	(5)
At 31 December 2007	21

12. Land and buildings

	Freehold £m	Long Leasehold £m	Total £m
At 1 January 2007	144	297	441
Additions	—	2	2
Disposals	—	(24)	(24)
(Deficit)/surplus on revaluation	(14)	55	41
At 31 December 2007	130	330	460
Land and buildings at cost:			
At 31 December 2007	102	256	358
At 31 December 2006	102	267	369

All investment properties held by the Group were valued as at 31 December 2007, by qualified professional valuers working for the companies DTZ Debenham Tie Leung, CB Richard Ellis Limited or Atisreal. The investment properties were valued on the basis of market value. All valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors (RICS). All valuations were carried out in accordance with the RICS Appraisal and Valuation Manual.

Other than for leasehold properties where the lease has less than twenty years unexpired term, no provision is made for depreciation of investment properties.

Leasehold properties include £296m (2006: £262m) property reversions arising from sales of the NPI Extra Income Plan. The reversionary interest is valued as the NPI Limited and National Provident Life Limited

("NPLL") proportion of the current market value, projected for the lifetime of the policyholder at the assumed future increase in house prices, then discounted back by the valuation rate of interest.

13. Investments in participating interests

13.1 Investments in joint venture

	Long-term Business £m
At 1 January 2007	—
Additions (note 35(d))	148
At 31 December 2007	148

13.2 Investments in associates

	Long Term Business		Non Long-Term Business Loans £m	Total Carrying Value £m
	Share of Capital and Reserves £m	Loans £m		
At 1 January 2007	320	253	27	600
Operating loss for the period after taxation	(39)	—	—	(39)
Distributions	(10)	—	—	(10)
Additions/(disposals)	149	(8)	1	142
Movements in the period	100	(8)	1	93
At 31 December 2007	420	245	28	693

14. Other financial investments

14.1 Other financial investments

The Group's other financial investments are summarised by measurement category as follows:

	31 Dec 07		31 Dec 06	
	Carrying Value £m	Cost £m	Carrying Value £m	Cost £m
At fair value through profit and loss:				
Designated upon initial recognition	19,771	19,017	20,507	19,653
Derivative financial instruments — held for trading	612	158	376	172
Loans and receivables at amortised cost	221	221	221	221
Available for sale	283	285	—	—
Total other financial investments	20,887	19,681	21,104	20,046

The other financial investments of the Group can be further analysed as:

	Note	31 Dec 07 Carrying Value £m	31 Dec 07 Cost £m	31 Dec 06 Carrying Value £m	31 Dec 06 Cost £m
Share and other variable yield securities and units in unit trusts		7,260	6,293	4,923	4,011
Debt securities and other fixed income securities		12,575	12,796	15,215	15,273
Deposits with credit institutions		219	213	369	369
Derivative assets	15	612	158	376	172
Loans and receivables at amortised cost		221	221	221	221
		20,887	19,681	21,104	20,046
Listed investments included above		18,107	17,609	19,784	18,803

The fair value of financial instruments traded in active markets (such as publicly traded securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price on the trade date. For units in unit trusts and shares in open ended investment companies, fair value is by reference to published bid-values. The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The fair value of fixed-interest bearing deposits is estimated using discounted cash flow techniques. The fair value of investments that are not traded in an active market is determined using valuation techniques. The fair value of shares and other variable yield securities and of derivative financial instruments, are estimated using pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the balance sheet date. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

The amount of unrealised gains/(losses) relating to the change in fair value of financial investments determined using valuation techniques other than quoted market prices is £3m (2006: £138m) in the long-term business technical profit and loss account and £6m (2006: £(12)m) in the non-technical profit and loss account.

Included within other financial investments at 31 December 2007 is £10m (2006: £2m) held in escrow accounts by the Company for additional contributions into the Pearl Group Staff Pension Scheme.

14.2 Collateral

14.2.1 Premium withheld from reinsurers

Under the terms of the reassurance arrangements entered into with an external reassurer effective 1 January 2007, Pearl Assurance plc, NPI Limited and London Life Limited hold assets in collateral accounts over which the reassurer has a fixed charge.

The fair value of the assets thus held at 31 December 2007 is £3,647m (2006: £nil).

14.2.2 Stock lending

During the year the Group, through Axial Investment Management Limited commenced a comprehensive stock lending programme. Under this programme, collateral is received to the value of at least 102% of the stocks lent.

The fair value of the collateral received at 31 December 2007 is £3,212m (2006: £4,965m).

14.2.3 Limited recourse bonds

The Group has pledged collateral of £146m (2006: £138m) to provide security to the holders of the National Provident Life Limited Recourse Bonds in issue (see note 29.2 (d)).

15. Derivatives

The Group purchases derivative financial instruments in connection with the management of its insurance contract and investment contract liabilities.

The fair values of derivative financial instruments are as follows:

	Derivative Assets 31 Dec 07 £m	Derivative Assets 31 Dec 06 £m	Derivative Liabilities 31 Dec 07 £m	Derivative Liabilities 31 Dec 06 £m
Forward currency	27	2	99	6
Credit default swaps	25	3	6	4
Interest rate swaps	389	171	189	100
Swaptions	147	117	—	—
Inflation swaps	14	83	—	1
Total return bond swaps	1	—	8	—
Equity options	9	—	9	—
	612	376	311	111

Derivative assets are disclosed in the consolidated balance sheet within "other financial investments".

16. Assets held to cover linked liabilities

The Groups assets held to cover linked liabilities are summarised by measurement category as follows:

	31 Dec 07		31 Dec 06	
	Carrying Value £m	Cost £m	Carrying Value £m	Cost £m
At fair value through profit and loss	3,963	3,228	4,182	3,400
Listed investments included above	3,712	2,947	4,102	3,346

The carrying value is the fair value of these assets.

17. Debtors

17.1 Debtors arising out of direct insurance operations

	31 Dec 07 £m	31 Dec 06 £m
Amounts owed by policyholders	14	18

All debtors are expected to be recovered within 12 months. The carrying value amount of these assets is a reasonable approximation of their fair value.

17.2 Other debtors

	31 Dec 07 £m	31 Dec 06 £m
Other debtors	88	83

All debtors are expected to be recovered within 12 months. The carrying value amount of these assets is a reasonable approximation of their fair value.

18. Tangible assets

	£m
Cost	
At 1 January 2007	—
Additions	4
At 31 December 2007	4
Depreciation	
At 1 January and 31 December 2007	—
Net book value	
At 1 January and 31 December 2007	4

19. Deferred acquisition costs

	£m
At 1 January 2007	2
Decrease in period	(2)
At 31 December 2007	—

20. Share capital

20.1 Share capital authorised

	31 Dec 07 £m	31 Dec 06 £m
596,000,100 ordinary shares of £1 each	596	596

20.2 Share capital allotted

	31 Dec 07 £m	31 Dec 06 £m
Allotted, called up and fully paid equity shares:		
596,000,020 ordinary shares of £1 each	596	596

21. Reserves and reconciliation of movement in shareholders' funds

	Share Capital £m	Profit and Loss Account £m	Shareholders' Funds £m
At 1 January 2006	596	465	1,061
Profit after taxation for the year ended 31 December 2006	—	240	240
Dividends (note 6)	—	(199)	(199)
Actuarial gains on pension scheme	—	9	9
Tax on items taken directly to equity	—	(3)	(3)
At 31 December 2006	596	512	1,108
Profit after taxation for the year ended 31 December 2007	—	114	114
Dividends (note 6)	—	(33)	(33)
Fair value adjustment on available for sale financial assets	—	(2)	(2)
Actuarial losses on pension scheme	—	(11)	(11)
Tax on items taken directly to equity	—	3	3
At 31 December 2007	596	583	1,179

22. Minority interest

	£m
At 1 January 2007	—
Additions (note 39.1(a))	2
At 31 December 2007	2

23. Fund for future appropriations

	31 Dec 07 £m	31 Dec 06 £m
At 1 January	356	288
Transfer (to)/from the technical account	(40)	68
At 31 December	316	356

The Group's with-profit funds are closed to new business. In accordance with the principles established by FRS 27: "Life Assurance" and Guidance Note 45, the whole of the unappropriated surplus attributable to policyholders has been included in the long-term business provision. As a result, the fund for future appropriation represents the shareholders' share of the inherited estate and other shareholder items only.

24. Policyholder liabilities

Material judgement is required in calculating the long-term business provision. In particular there is discretion over the assumptions used. The variance of actual experience from that assumed may result in such liabilities differing from the provisions made for them. In calculating the realistic liabilities, account has also been taken of future management actions consistent with those set out in the Principles and Practices of Financial Management (PPFM). The most significant of these is that bonus rates in the with profits funds are assumed to change as markets change to target asset shares subject to guarantees and smoothing constraints.

The Group is subject to a number of inherent risks that impact the value of policy liabilities, including interest rate risk, market fluctuations and demographic changes. If interest rates fall, the impact of discounting on the long-term business provision will reduce, resulting in an increased provision. Similarly, if annuitant mortality were assumed to increase, then the long-term business provision in respect of annuities would increase, whilst that in respect of assurances would decrease. Where policies have been sold that include options, provision is made to allow for assumed policyholder behaviour, however, where that behaviour differs from expectations there will be a corresponding change in the provisions required.

Liabilities may also arise in respect of claims relating to the interpretation of such contracts, or the circumstances in which policyholders have entered into them. The extent of such liabilities is influenced by the actions and requirements of the FSA, the Ombudsman rulings, by industry compensation and by court judgements.

Assumptions are set by reference to publicly available market data and then validated to ensure that the current assumptions continue to reflect actual experience.

For participating business, the long-term business provision is calculated in accordance with the FSA's realistic capital regime, adjusted to exclude the shareholder's share of the future bonuses and the associated tax liability as required by FRS27 "Life Assurance". Non participating liabilities are valued using a gross premium method allowing for a prudent level of discontinuances.

The present value of future profits on non-participating business written in the with profit fund, offset against the long-term business provision and not recognised as an asset as at 31 December 2007 was £42m (2006: £14m).

24.1 Participating business

For participating business, a market consistent valuation is used to calculate the long-term business provision. This involves placing a value on liabilities similar to the market value of assets with similar cash flow patterns. The key assumptions used in this valuation are set out in the tables below.

Interest rates

The risk free interest rates assumed are:

Year	1	5	10	15	20	25	30	35	40
31 Dec 2007	4.65%	4.62%	4.70%	4.68%	4.60%	4.45%	4.29%	4.16%	4.06%
31 Dec 2006	5.42%	5.15%	4.83%	4.71%	4.48%	4.25%	4.10%	3.98%	3.89%

Other assumptions

Best estimate assumptions are set for inflation, mortality and expenses:

	31 Dec 07	31 Dec 06
Inflation:		
Retail price inflation	3.20%	3.20%
Expense inflation	3.2% - 4.20%	3.40% - 4.20%
Earnings inflation	4.70%	4.70%

Asset mix for assets backing asset shares at the valuation date:

Gilts and cash	2.40% - 62.60%	21.54% - 68.20%
Corporate bonds	24.30% - 85.60%	24.20% - 63.11%
Equities	6.00% - 33.10%	0.28% - 35.50%
Property	7.10% - 17.20%	4.40% - 15.08%
Mortality rate:		
Basic life assurance	55% AM/F80, 50% A67/70, 95% AM/F92, 75% AM/F80, 60% ELT14 Male all with adjustments	55% AM/F80, 95% AM/F92 Ultimate, 75% AM/F80 Ultimate, 60% ELT 14 Male all with adjustments
Pension business	65% AM/F80, 97.5% PM/FA00, 50% A67/70, 70% AM/F92, 75% AM/F80 all with adjustments	97.5% PMA00, 97.5% PFA00, 65% AM/F80, 70% AM/F92 Ultimate, 75% AM/F80 Ultimate all with adjustments
Pension annuity in payment	100% PMA00, 95% PFA00, 120% RM/FV92, 105.0% RMV00, 107.5% RFV00 all with adjustments	115% of RM/FV92,l with adjustments
Unitised with profits	75% AM/F80, 95% AM/F92 all with adjustments	75% AM/F80 Ultimate
Per policy expenses — regular premiums:		
Basic life assurance	£31.49 - £112.95	£29.88 - £106.17
Pension business	£20.28 - £471.45	£19.24 - £447.30
Unitised with profits	£31.90 - £80.20	£31.20 - £79.00

A percentage of these amounts is used for single premium and paid up policies.

Persistency — Lapses/Surrenders/Paid Up Rates

A review of persistency is carried out annually. The review is based on a trend analysis of persistency, the results of which are then applied to existing assumptions. Assumptions are adjusted where necessary to reflect more recent experience as evidenced in the persistency trend analysis, or to reflect expected future trends as a result of anticipated future events.

Options and Guarantees

Some products give potentially valuable guarantees or policyholders the option to change policy benefits. These can be exercised at the policyholders' discretion. For example, some pension contracts include guaranteed annuity options where the policyholder can choose to take policy benefits in the form of an annuity based on guaranteed conversion rates. There are also further contractual guarantees, primarily arising from sum assured and reversionary bonuses on conventional with profits business and the guaranteed cash amount and reversionary bonuses on the deferred annuities business.

The measurement of financial options and guarantees is achieved through stochastic modelling which aims to reproduce the market cost of similar financial instruments. The total amount provided in respect of the future costs of guaranteed annuity options was £418m (2006: £458m) and in respect of other guarantees was £1,407m (2006: £1,401m).

In common with other life companies in the United Kingdom which have written pension transfer and opt out business, the Group has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated from data derived from detailed file reviews of specific cases and using a certainty equivalent approach, which give a result very similar to a market consistent valuation, are included in the long-term business provision. The total amount provided in respect of the review and possible redress relating to pension policies, including associated costs, was £349m (2006: £420m).

The directors are of the opinion that the provisions are consistent with the principles of treating customers fairly.

Provision for bonuses

The total cost of bonuses attributable to the accounting period, being amounts representing an allocation of surplus for the year is £182m (2006: £155m).

Other specific matters

The Financial Services Authority carried out a review of low-cost mortgage endowments in 1999. As a result all such mortgage endowment policyholders were provided with information on the performance of their policy. The Group took action to ameliorate the financial impact on those policyholders who were most impacted by the reduction in expected future investment returns. Provision has been made in these accounts for the expected costs of the action taken and to meet the potential costs arising from any complaints associated with low-cost mortgage endowments. The total amount provided for was £83m (2006: £79m).

24.2 Non participating business

Effective 1 January 2007, the Pearl Group life companies entered into reassurance arrangements with an external reassurer under which Pearl Assurance plc, NPI Limited and London Life Limited reassured their pension non — profit annuity in payment liabilities. From this date, the reassurer bears substantially all the risks and rewards of this business.

Under the terms of this arrangement, the Group has a contingent liability of $80/130^{ths}$ for any increase in the treaty best estimate reserves resulting from mortality improvements. The maximum liability under the arrangement is £76m at 31 December 2007.

In order to protect the policyholders from large counterparty exposures, the initial premium payable has been withheld and placed in collateral accounts. The reassurer holds a fixed charge over the assets. The balance due under this arrangement at 31 December 2007 of £3,647m is shown within "Deposits received from reinsurer".

For non participating business, valuation assumptions have been determined in accordance with the rules relating to the valuation of liabilities as published by the Financial Services Authority in its Prudential Sourcebook for insurers.

	31 Dec 07	31 Dec 06
Interest rate:		
Basic life assurance	3.6% - 4.6%	3.8% - 4.7%
Pension annuity in payment	4.0% - 4.8%	4.7% - 5.2%
Unitised with profits	3.0% - 4.8%	3.1% - 3.9%
Mortality rate:		
Basic life assurance	100% AM/F92, 72%IML/IFL92, 60% AM/F80, 120% AM/F80 all with adjustments	100% AM/F92, 72%IML/IFL92, Year of use, all with adjustments
Pension business	100% AM/F92	65% AM/F80
Pension annuity in payment	97.5/100% RMV00/RFV00, 107.5/107.5% RMV92 90/85% PMA00/PFA00, 87.5% PM/FA00, 113% RM/FV92	105% - 110% RMV92, 100% - 108% RFV92, 87.5% PM/F00 all with adjustments
Unitised with profits	100% AM/F92 all with adjustment	100% AM/F92

Options and Guarantees

There are no significant options and guarantees in the non participating fund.

25. Claims outstanding

	31 Dec 07 £m	31 Dec 06 £m
General business	42	208
Life business	93	100
	135	308

Effective 31 December 2007 the novation of the general insurance Monarch liabilities was completed. Under the novation the Group's obligation to maintain the gross liability and corresponding reinsurance asset on the balance sheet is removed and this has consequently resulted in the release of £165m gross reserves.

The technical provisions for future claims payments have primarily been assessed using chain ladder methods. Where there is a notable exposure to long-term asbestos, pollution and health hazard liabilities, external independent actuaries provide best estimate benchmarks. An appropriate prudential margin is applied to all lines of business, as it is recognised that the estimation of certain future claims payments is an inherently uncertain exercise and future experience could be more adverse.

In calculating the technical provisions in respect of UK Industrial disease business, the future investment income on the assets held to cover the related provisions has been taken into account by discounting future cash flows. The average period before the liability will be settled has been estimated at 9.0 years for 2007 (2006: 8.4 years). The provision has been discounted at an interest rate of 3.5% for 2007 (2006: 3.5%).

The overall effect is to reduce the gross and net technical provisions for those classes of business referred to above at 31 December 2007 by £12m (2006: £8m) from £35m to £23m. The total amount of the investment return which corresponds to the unwinding of the discount is £1m (2006: £1m).

26. Technical provisions for linked liabilities

	£m
At 1 January 2007	4,182
Deposits collected	62
Payments made to policyholders of, and fees deducted from, investment contacts	(545)
Change in technical provisions for linked liabilities	264
At 31 December 2007	3,963

27. Deferred taxation

27.1 Provisions for taxation

Reconciliation of movements in deferred tax:

	31 Dec 07 £m	31 Dec 06 £m
At 1 January	44	19
(Release)/charge for the year:		
Technical account — long-term business	(25)	17
Non-technical account	2	8
At 31 December	21	44

27.2 Deferred taxation provisions

The components of the net deferred tax liability are as follows:

	31 Dec 07 £m	31 Dec 06 £m
Unrealised gains on investments	23	49
Deferred acquisition expenses	(2)	(4)
Capital allowances	(4)	1
Trading losses	—	(2)
Other short term timing differences	6	—
Total undiscounted	23	44
Total on a discounted basis	21	44

A deferred tax asset has been recognised in respect of long-term business acquisition expenses and capital allowance deductions where relief is deferred under corporation tax legislation. It has been determined that taxable income of future periods will be sufficient to enable relief for these expenses as they fall due to be deductible. Due to the uncertainty of the quantum, source and timing of future taxable profits or chargeable gains, no provision has been made for the assets listed in note 27.3.

27.3 Factors that may affect future taxation charges

The deferred tax assets, which have not been recognised due to the uncertainty of their recoverability in the foreseeable future, comprise:

	Long-Term Business		Non Long-Term Business	
	31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
Capital and trading losses	8	16	6	4
Provisions and other timing differences	11	—	6	5
	19	16	12	9

The unrecognised assets have not been discounted. Further analysis is as follows:

- £11m (2006: £16m) arises on realised capital losses on chargeable securities and will be available to offset against realised chargeable gains of future years;
- £3m (2006: £nil) arises on trading losses and will be available to offset against trading profits of future years; and
- £17m (2006: £9m) in respect of provisions and other timing differences will be available to offset against taxable profits in future periods when the timing differences reverse or provisions are utilised.

28. Provisions

	Restructure £m	Leasehold Properties £m	Staff Related £m	Investment Contracts £m	Other £m	Total £m
At 1 January 2007	9	24	20	16	21	90
Amount utilised	(1)	(5)	(1)	(1)	(2)	(10)
Increase in provision	—	2	2	4	2	10
Unutilised amount reversed	(1)	(1)	(3)	(6)	(5)	(16)
Unwind of discount	—	1	1	—	—	2
At 31 December 2007	7	21	19	13	16	76

The restructure provision has been made for the costs of restructuring management and staffing across the Group. It is expected that most of this expenditure will be incurred in the next two years.

The leasehold properties provision has been made for amounts in respect of the excess of lease rentals and other payments on properties that are currently vacant or expected to become vacant over the amounts to be recovered from subletting these properties on a discounted basis at 7.1% (2006: 7.3%). The provision is expected to be utilised over the next 15 years.

Staff related provisions include £12m (2006: £13m) held in respect of healthcare costs for former employees. The healthcare cost provision has been calculated on assumptions of medical expense inflation of 10.5% (2006: 10.0%) and a valuation interest rate of 4.6% (2006: 4.4%).

Provisions in respect of investment contracts represent the excess of future costs over future charges on the Group's unit linked business, assessed at a product level. The discount rate used in calculating the provision is 5.0% (2006: 5.0%) and the provision is expected to run off over the remaining life of the business, estimated at 30 years.

29. Financial liabilities at amortised cost

29.1 Total financial liabilities at amortised cost

	Notes	Carrying Value		Fair Value	
		31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
Technical provisions for linked liabilities	26	3,963	4,182	3,963	4,182
Debenture loans	29.2	680	691	683	702
Amounts owed to credit institutions	29.3	328	291	328	291
Deposits received from reinsurers	38.3.1	3,647	—	3,647	—
Other creditors including taxation and social security	30	1,370	272	1,370	272
Creditors arising out of direct insurance operations		1	1	1	1
		9,989	5,437	9,992	5,448

29.2 Debenture loans

	Carrying Value		Fair Value	
	31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
£289 million 12% subordinated loans (note a)	289	289	289	289
£171 million 12% subordinated loans (note b)	171	171	171	171
£31.8 million loan (note c)	32	32	32	32
Limited recourse bonds 2012 7.39% (note d)*	70	81	70	84
Limited recourse bonds 2022 7.59% (note d)*	118	118	121	126
Total debenture loans	680	691	683	702

Notes

* *Borrowings of NPLL long-term fund.*

(a) Subordinated loans of £144.5m each were issued by Sun Capital Investments Limited and Hera Investments One Limited to the Company at par on 13 April 2005 at an interest rate of 12% per annum and will continue without limit of time.

(b) Subordinated loans of £85.5m each were issued by Sun Capital Investments Limited and Hera Investments One Limited to the Company at par on 13 April 2005 at an interest rate of 12% per annum and mature on 13 April 2015.

(c) The £31.8 million loan is due to Henderson Finance, a subsidiary undertaking of Henderson Group plc. The loan is repayable on 12 April 2008 and accrues interest at a rate equivalent to 5% 2005 treasury stock.

(d) In 1998, NPI raised £260m of capital through the securitisation of embedded value on a block of existing unit linked and unitised with profit life and pension policies. On demutualisation of NPI, these were transferred to NPLL. The bonds are split between two classes, which rank pari passu. The £140m 7.39169% class A1 limited recourse bonds have an average life of 8 years maturing in 2012 and the £120m 7.5873% limited recourse bonds have an average life of 18 years maturing in 2022. The bonds are repaid out of margins emerging from the securitised block of business and from a collateral fund (note 14.2.3).

29.3 Amounts owed to credit institution

	Carrying Value		Fair Value	
	31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
Refinancing loan (note a)	328	291	328	291
Total amounts owed to credit institutions	328	291	328	291

Notes

(a) The refinancing loan from Abbey National plc relates to the sale of Extra-Income Plan policies that Abbey National plc finances to the value of the associated property reversions. As part of the arrangement Abbey National plc receive the movement in the Halifax House Price Index and NPLL and NPI Limited have undertaken to indemnify Abbey National plc against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount. Repayment will be on a policy-by-policy basis and is expected to occur over the next 10 to 20 years.

30. Other creditors including taxation and social security

	31 Dec 07 £m	31 Dec 06 £m
Corporation tax	66	36
Investment broker balances	1,140	66
Other creditors	164	170
	1,370	272

31. Capital commitments

31.1 Capital commitments

	31 Dec 07 £m	31 Dec 06 £m
Other capital commitments for settlement after 31 December	203	50
Securities commitments	648	228

Securities commitments comprise commitments of Pearl to subscribe to private equity funds and other unlisted assets.

31.2 Annual commitments under non-cancellable land and building operating leases

The obligations under non-cancellable land and building operating leases fall due:

	31 Dec 07 £m	31 Dec 06 £m
Within one year	2	2
In the second to fifth years inclusive	7	6
In more than five years	6	5
Total	15	13

32. Contingent loans

Both NPLL and London Life Limited ("LLL") have received contingent loans from their respective parent undertakings, NP Life Holdings Limited and Pearl Group Limited. The assets backing the loans are utilised to provide additional regulatory capital for the long-term funds. The amounts below represent the amounts that are expected to be recoverable from the long-term funds following the settlement of policyholder claims by those funds and were valued at an amount equal to the realistic valuation of the policyholder contingent loan liability. The carrying value of these loans is equal to the fair value.

The intra-Group contingent loans cancel on consolidation. However, since they are loans between shareholder and policyholder funds any change in the shareholder asset will affect Group profit.

The loans provided to NPLL are repayable in accordance with the Schedule 2c Scheme under which the business of NPI was transferred to NPLL. The loan to LLL is repayable in accordance with the Schedule 2c Scheme under which the business of AMP UK Branch was transferred to LLL. The balances at 31 December are as follows:

	31 Dec 07 £m	31 Dec 06 £m
National Provident Life Limited	135	216
London Life Limited	158	154
	293	370

33. Notes to the cash flow statement

33.1 Reconciliation of profit on ordinary activities to net cash inflow from operating activities:

	31 Dec 07 £m	31 Dec 06 £m
Profit on ordinary activities before non-operating exceptional items and taxation	149	180
Adjustments for financing expenses and items not involving movements of cash:		
Write back of negative goodwill	(6)	(4)
Decrease in outstanding claims	170	24
Decrease/(increase) in debtors	10	(11)
(Increase)/decrease in accrued interest and rent	(1)	1
Decrease/(increase) in prepayments	1	(4)
Increase/(decrease) in creditors	1,131	(23)
(Decrease)/increase in provisions	(7)	7
Increase/(decrease) in accruals	1	(4)
Increase in deferred income	5	—
Decrease in technical provisions	(167)	(21)
Unrealised (gains)/losses	(2)	15
Movement in pension scheme	(11)	(11)
Profits relating to long-term business funds, excluding Pacific fund	(71)	59
Loan interest expense	76	58
Loan interest income	(29)	(10)
Cash outflow from Business Process Outsourcing	—	(4)
Net cash inflow from operating activities	1,249	252

33.2 Analysis of cashflows in respect of acquisitions and disposals

	31 Dec 07 £m	31 Dec 06 £m
Cash and cash equivalents received in respect of Life Services acquisition	—	2
Net cash inflow from Life Services acquisition	—	2
Cash received for Virgin sale	—	20
Cash received for Business Process Outsourcing	—	55
Cash received for General Insurance sale	—	53
Cash received for Premier Pension Trustees Limited disposal	—	1
Less: Cash and cash equivalent balances transferred as part of Premier Pension Trustees Limited disposal	—	(1)
Net cash inflow from acquisitions and disposals	—	130

On 27 April 2004, a loan from Pearl to Virgin Money Group Limited was sold to Virgin Management Limited for £90m. The final £20m of this consideration was received during 2006.

33.3 Analysis of cash holdings included in the Consolidated Balance Sheet

	31 Dec 07 £m	31 Dec 06 £m
Cash at bank and in hand	644	458
Less: Cash on deposit not repayable on demand (note 33.4)	(70)	(187)
Add: Deposits with credit institutions repayable on demand included within other financial investments (note 33.4)	—	132
Total cash holdings (note 33.6)	574	403

33.4 Analysis of portfolio investments included in the Consolidated Balance Sheet

	31 Dec 07 £m	31 Dec 06 £m
Other financial investments	20,887	21,104
Add: Cash on deposit not repayable on demand (note 33.3)	70	187
Less: Deposits with credit institutions repayable on demand included within other financial investments (note 33.3)	—	(132)
Total portfolio investments (note 33.6)	20,957	21,159

33.5 Net portfolio investments (excluding long-term business)

	31 Dec 07 £m	31 Dec 06 £m
Purchase of portfolio investments	3,032	1,045
Sale of portfolio investments	(1,932)	(990)
	1,100	55

33.6 Movements in cash, portfolio investments and financing

	Portfolio Investments £m	Cash Holdings £m	Borrowings £m	Total £m
At 1 January 2006	22,168	384	(1,140)	21,412
Shareholder cash flows	55	(93)	—	(38)
Changes in long-term business	(1,084)	112	93	(879)
Changes in market value and exchange rate effects	20	—	—	20
Shareholder to long-term borrowings	—	—	65	65
At 31 December 2006	21,159	403	(982)	20,580
Shareholder cash flows	1,100	58	—	1,158
Changes in long-term business	(1,380)	113	(26)	(1,293)
Changes in market value and exchange rate effects	78	—	—	78
At 31 December 2007	20,957	574	(1,008)	20,523

34. Staff pension scheme

As at 31 December 2007 the Group operated one pension scheme, the Pearl Group Staff Pension Scheme ("the Pension Scheme"), for its employees. The Pension Scheme is funded by payment of contributions to a separately administered trust fund. The Pension Scheme's appointed investment managers are Axial Investment Management Limited, Fidelity Investments, Legal and General and Standard Life. The Pension Scheme is subject to regular valuations by an independent qualified actuary. The Company is the principal employer of the Pension Scheme.

Up until 15 November 1999, the Pension Scheme operated on a defined benefit basis for all members. From that date, a new money purchase section was established for new members of the Pension Scheme. Pearl and London Life final salary members were offered membership of this new section, on special terms, in respect of future service in April 2000 and NPI final salary members in June 2001. If they declined they remained members of the defined benefit scheme.

With effect from 31 March 2005, the trustees agreed to split the pension scheme assets and liabilities between those relating to the Life Services business which remained in the Pearl Group Staff Pension Scheme, and those relating to the remainder of Henderson Group plc (which sold 100% of the issued share capital of Pearl Assurance Group Holdings Limited to Pearl Group Limited on 13 April 2005) which were transferred to the Henderson Group Pension Scheme. The results of the Pearl Group Staff Pension Scheme from the date of acquisition by Pearl Group Limited of 13 April 2005 until 31 December 2007 have been reflected in these Group accounts.

Throughout 2007, the contribution rates to the Pension Scheme were 48.8% (2006: 27.0%), 19.1% (2006: 20.8%), and 12.4% (2006: 13.8%) of pensionable earnings for final salary section members, hybrid (a mix of final salary and money purchase) members and pure money purchase members respectively. These contributions are paid annually at the end of the year.

At 31 December 2007, £5m (2006: £16m) and £nil (2006: £2m) are available within escrow accounts established by Henderson plc and the Company respectively on the sale of Life Services, which will be used during 2008 to make additional contributions into the Pension Scheme.

The Company and the Trustees of the Pension Scheme entered into a contract during 2007 under which the Company will guarantee returns on the Pension Scheme's assets sufficient to ensure that there will be no funding shortfall by 30 June 2027. On 30 June 2009 and every three years thereafter a valuation will be

performed to determine the extent to which additional payments are required to be made in the Pension Scheme in so far as the target investment return has not been achieved. As an integral part in meeting the requirements of this contract, management of the assets of the Pension Scheme moved to Axial Investment Management Limited.

The Company will also provide the Pension Scheme with additional security by making payments into an escrow fund available to the Pension Scheme to meet any funding shortfall in the Pension Scheme at 30 June 2027. The balance in this escrow fund at 31 December 2007 was £10m (2006: £nil). To the extent that no such shortfall arises in 2027, monies in the escrow fund will be returned to the Company.

In addition, the Company will meet the administration expenses of the Pension Scheme from 30 June 2007.

The valuation used for the 2007 and 2006 FRS17 accounting and disclosures has been based on the results of the actuarial valuation of the Pension Scheme as at 30 June 2006. The valuation used for the 2005 FRS17 disclosure has been based on the actuarial valuation at 10 December 2004. Both have been updated by Watson Wyatt to take account of the requirements of FRS 17 in order to assess the liabilities of the Pension Scheme at these respective dates. The Pension Scheme assets are stated at their market value at the respective dates.

34.1 The movement in the Pension Scheme surplus/(deficit) during the period is as follows:

	Notes	31 Dec 07 £m	31 Dec 06 £m
Deficit in Pension Scheme at 1 January		—	(32)
Movement during the year:			
Contributions received		11	11
Current service cost — final salary	34.2	(2)	(4)
Gain on curtailment		—	12
Net expected return on pension assets	34.2	2	4
Actuarial (losses)/gains	34.2.3	(11)	9
Surplus in Pension Scheme at 31 December		—	—
		—	—

In addition, the Group made contributions of £1m (2006: £1m) to the money purchase section of the Pension Scheme.

34.2 The components of the pensions cost incurred are:

34.2.1 Analysis of amounts charged to operating profit:

	31 Dec 07 £m	31 Dec 06 £m
Current service cost — final salary	2	4

34.2.2 Analysis of the amount credited to investment income:

	31 Dec 07 £m	31 Dec 06 £m
Interest cost	91	84
Expected return on Pension Scheme assets	(93)	(88)
Net credit to other finance income	(2)	(4)
Total operating credit	—	—

34.2.3 Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL):

	31 Dec 07 £m	31 Dec 06 £m
Actual gain less expected return on Pension Scheme assets	(12)	(25)
Experience loss arising on Pension Scheme liabilities	30	33
Changes in assumptions underlying the present value of the Pension Scheme liabilities	(61)	(21)
Impact of unrecognised surplus	54	4
Actuarial loss/(gain) recognised in the STRGL	11	(9)

34.3 The financial assumptions used to calculate the Pension Scheme liabilities under FRS 17 are:

Valuation Method	31 Dec 07 Projected Unit	31 Dec 06 Projected Unit	31 Dec 05 Projected Unit
Discount rate	5.80%	5.20%	4.80%
Inflation rate	3.50%	3.10%	2.90%
Rate of increase in pensionable salaries (aged related scale in addition)	5.00%	4.60%	4.40%
Rate of increase in pensions in payment (in excess of GMPs)	3.50%	3.10%	2.90%
Rate of increase in deferred pensions	3.50%	3.10%	2.90%

34.4 The assets in the Pension Scheme and the expected rate of return are:

	31 Dec 07 %	Long Term Rate of Return Expected at 31 Dec 06 %	31 Dec 05 %	31 Dec 07 £m	Value 31 Dec 06 £m	31 Dec 05 £m
Equities	8.4	8.2	8.1	581	614	540
Property	6.5	6.3	6.4	142	193	185
Bonds	4.8	4.5	4.2	1,160	988	974
Cash and other	4.8	5.0	3.7	(18)	17	53
Total market value of defined benefit assets				1,865	1,812	1,752
Present value of Pension Scheme liabilities				(1,784)	(1,798)	(1,784)
Surplus/(deficit) in the Pension Scheme				81	14	(32)
Unrecognised surplus				(81)	(14)	—
Related deferred tax asset				—	—	10
Net pension liability				—	—	(22)

34.5 Pension Scheme experience gains and losses are as follows:

	31 Dec 07	31 Dec 06
Gain on Pension Scheme assets		
Amount (£m)	(12)	(25)
Percentage of present value of Pension Scheme assets	0.6%	1.4%
Experience losses on Pension Scheme liabilities		
Amount (£m)	30	33
Percentage of present value of Pension Scheme liabilities	1.7%	1.8%
Total loss/(gain) recognised in the STRGL		
Amount (£m)	11	(9)
Percentage of present value of Pension Scheme liabilities	0.6%	0.5%

35. Subsidiary and associated undertakings

The principal subsidiaries and associated undertakings of the Group are as follows:

a) Insurance companies:

	Country of Incorporation and Principal Place of Operation	Class of Shares Held (Wholly-Owned Unless Otherwise Indicated)
London Life Limited	UK	Ordinary shares of £1
National Provident Life Limited	UK‡	Ordinary shares of £1
NPI Limited	UK	Ordinary shares of £1
Pearl Assurance plc	UK	'A' ordinary shares of 5 pence 'B' ordinary shares of £1

‡ Held by a subsidiary undertaking

b) Non-insurance companies:

London Life Holdings Limited (finance company)	UK	Ordinary shares of £1
NP Life Holdings Limited (holding company)	UK‡	'A' and 'B' ordinary shares of £1
Pearl Assurance Group Holdings Limited (finance company)	UK	Ordinary shares of £1
Pearl Group Services Limited (service company)	UK	Ordinary shares of £1
PGS 2 Limited (finance company)	UK	Ordinary shares of £1
Mutual Securitisation plc (finance company)	ROI	Quasi subsidiary
Axial Investment Management Limited (investment management company)	UK	51% Ordinary shares of £1

‡ Held by a subsidiary undertaking

c) Associate undertakings:

	Country of Incorporation and Principal Place of Operation	Class of Shares Held (Wholly-Owned Unless Otherwise Indicated)
Henderson Caspar Property Fund (property fund)	Jersey‡	50%
Henderson French Property Fund BV (property fund)	The Netherlands‡	41%
Henderson UK Shop Fund (property fund)	Jersey‡	48%
Moor House Limited Partnership (property partnership)	UK‡	33%
Martineau Galleries Limited Partnership (property partnership)	UK‡	17%
Covent Gardent Limited Partnership (property partnership)	UK‡	37%
Drago Real Estate Partners Limited (close-ended investment company)	Guersey ‡	24.71% ordinary shares of €0.01
Sant Topco Holding BV (holding company)	Luxembourg ‡	22.759% ordinary shares of €0.01

‡ Held by a subsidiary undertaking

d) Joint venture:

Tesco Property Limited Partnership (property partnership)	UK‡	50%

‡ Held by a subsidiary undertaking

The information disclosed above is only in respect of those undertakings which principally affect the figures shown in the Group's accounts. There are a number of other subsidiary and associated undertakings whose business does not materially affect the Group's profits or the amount of its assets and particulars of these have been omitted in view of their excessive length.

36. Related party transactions

The Company has taken advantage of the exemption given by FRS8 to subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, by not disclosing information on related party transactions with entities that are part of the Pearl Group Limited Group of companies.

The Company's £1 ordinary shares are jointly owned by Sun Capital Investments Limited (SCIL) and Hera Investments One Limited (HIOL) with whom the Company entered into the following transactions:

	SCIL		HIOL	
	31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
Interest payable	(28)	(28)	(28)	(28)
Interest receivable	10	4	10	4
Dividends	(17)	(100)	(17)	(100)
	(35)	(124)	(35)	(124)

Balances outstanding were:

	SCIL		HIOL	
	31 Dec 07 £m	31 Dec 06 £m	31 Dec 07 £m	31 Dec 06 £m
Fixed asset investments — loans	87	87	87	87
Subordinated loans	(230)	(230)	(230)	(230)
Debtors less (creditors)	(12)	(17)	(12)	(17)
	(155)	(160)	(155)	(160)

On 15 May 2007, the Group became a holder of £56,700,000 of a £905,000,000 syndicated loan facility made available jointly to SCIL and HIOL. During the year interest receivable of £2,500,000 has been recognised and cash receipts for interest and capital of £2,000,000 and £1,900,000 respectively have been received in relation to the Group's element of the loan. The total balance of capital and interest outstanding at 31 December 2007 is £55,300,000.

During the year Sun Capital Partners Limited, of whom W A McIntosh and H E M Osmond are directors and TDR Capital LLP, of whom M Dale and S J Robertson are designated members received £1,666,056 (2006: £597,610) and £5,601,112 (2006: £1,795,220) respectively as shareholder monitoring fees and investment management fees.

During the year, the Pension Scheme, was charged £400,000 (2006: £Nil) and received £1,600,000 (2006: £Nil) from the Group for investment management fees and the reimbursement of administrative expenses respectively. Both of these amounts were outstanding at 31 December 2007.

On 4 July 2007, the Group purchased 79,522 shares in Drago Real Estate Partners Limited for consideration of €8,379,190. 44,695 of these shares were purchased for €4,709,470 from directors of Sun Capital Partners Limited including H E M Osmond and W A McIntosh.

On 20 November 2007, the Group purchased 16,200,000 shares in Sant Topco Holdings BV, a property investment portfolio holding company, for consideration of €121,000,000 financed in part through loans of €93,461,000 of which €92,413,000 were from directors of Sun Capital Partners Limited including H E M Osmond and W A McIntosh, TDR Capital LLP, of whom M Dale and S J Robertson are designated members, and Drago Real Estate Partners Limited. These loans were all interest free and were settled with shares of Sant Topco Holdings BV. Following this intermediary step, the Group has retained a holding of 22.8% in Sant Topco Holdings BV.

37. Contingent liabilities

In the normal course of business, the Group is exposed to certain legal issues, which involve litigation and arbitration and as at the balance sheet date, the Group has a contingent liability in this regard.

38. Risk Management

38.1 Risk and capital management objectives and policies

The risk management objectives and policies of the Group are based on the requirement to protect the Group's regulatory capital position, thereby safeguarding policyholders' guaranteed benefits whilst also ensuring the Group can meet its different cash flow requirements. Subject to the above, the Group seeks to use available capital in pursuing investment opportunities that meet agreed return hurdles for risk taken in order to achieve increased investment returns, generating additional value for policyholders and shareholders.

In pursuing these goals, the Group deploys financial assets and incurs financial liabilities. Financial assets principally comprise investments in equity securities, fixed interest investments, derivatives, trade and other

receivables, and banking deposits. Financial liabilities comprise investment contracts, borrowings for financing purposes, trade and other payables.

The use of financial instruments naturally exposes the Group to the risks associated with them, chiefly, market risk, credit risk and liquidity risk. The Group's risk management policy establishes a framework for setting the financial risk profile for each life company and reporting on financial risk exposure. Responsibility for agreeing the financial risk profile rests with the board of each life company, given advice from investment managers, internal risk committees and the actuarial function. In setting the risk profile, the board of each life company will receive advice from the appointed investment managers and the relevant actuary as to the potential implications of that risk profile with regard to the probability of both realistic insolvency and of failing to meet the regulatory minimum capital requirement. The actuary will also advise the extent to which the investment risk taken is consistent with the Group's commitment to treat customers fairly.

Derivatives are used in a number of the Group's funds, within policy guidelines agreed by the Board of each life company and overseen by the Asset, Liability and Investment Management Committee ("ALIMCo") and the Financial Risk Committee. Derivatives are primarily used for efficient portfolio management or for risk hedging purposes.

More detail on the Group's exposure to financial risk is provided in note 38.3 below.

The Group is also exposed to insurance risk arising from its life assurance business. Life insurance risk in the Group arises through its exposure to mortality and to variances between assumed and actual experience in factors such as persistency levels and management and administrative expenses.

The Group's overall exposure to risk is monitored by appropriate committees, primarily by the ALIMCo and Financial Risk Committee, which agree policies for managing each type of risk on an ongoing basis, essentially within the Group's asset liability management ("ALM") framework that has been developed to achieve investment returns in excess of amounts due in respect of insurance contracts. The effectiveness of the Group's ALM relies on close matching of assets and liabilities arising from insurance and investment contracts, taking into account the types of benefits payable to policyholders under each type of contract. Separate portfolios of assets are maintained for with-profits business, which includes all of the Group's participating business, non-linked non participating business and unit-linked business.

A further tool used by the Group for risk management is the regulatory requirement for the Group to carry out an Individual Capital Assessment ("ICA") in accordance with the FSA's General Prudential Sourcebook. The intention of the ICA is to estimate how much capital is required to reduce the risk of insolvency to a remote degree of probability. The ICA framework developed by the Group identifies the risks to which it is exposed and quantifies their impact on economic capital. The results are used to formulate an appropriate management response in the form of risk mitigation, where this is necessary.

During the period the Group continued to invest in developing its specialised asset and liability matching capabilities, which is focused on delivering more effective deployment of capital resources. The Group's existing processes for managing risk broadened but there have been no fundamental changes to the Group's processes for managing risk during the period.

38.2 The capital position statement

The purpose of the capital position statement is to set out the financial strength of the Group and to provide an analysis of the disposition and constraints over the availability of capital to meet risks and regulatory requirements. The capital position statement also provides a reconciliation of shareholders' funds to regulatory capital. The information set out below is analysed between the Group's with profits funds, non participating business, life business shareholders' funds and its other activities. The contribution by NPLL to the Group's capital resources is initially included in the column headed "Life business shareholders funds",

since it is owned by the Group's life business shareholder funds. An allocation of capital and loans from the Groups' life business shareholder funds to the Pearl with profits fund is made representing capital resources to cover the capital resources requirement of the NPLL with profits fund. The non participating business and other activities are shown in aggregate in the capital position statement. Virtually all activities of the Group relate to UK business.

In addition to external funding sources, the Group has a number of internal loan arrangements in place, which allow the Group to provide capital support to other areas of the business. In addition to these internal loan arrangements, the Group has in place a number of internal reinsurance contracts, which are structured to manage the capital position between certain life funds.

The available capital resources in each part of the business are generally subject to restrictions as to their availability to meet requirements that may arise elsewhere in the Group. The principal restrictions are:

With profit funds (Pearl, LLL) — any available surplus held in each fund can only be used to meet the requirements of the fund itself or be distributed to policyholders and shareholders. With profits policyholders are entitled to at least 90% of the distributed profits while shareholders receive the balance. Any distribution to the shareholders would be subject to a tax charge, which is met by the fund in the case of Pearl.

With profit fund (NPLL) — any available surplus held in the fund can only be used to meet the requirements of the fund itself or be distributed to policyholders. Shareholders are not entitled to any distribution from this fund.

Non participating funds — any available surplus held in these funds are attributable to shareholders. Capital within the non-participating funds may be made available to meet capital requirements elsewhere in the Group subject to meeting the regulatory requirements of the fund and the company. Any transfer of surplus may give rise to a tax charge subject to availability of tax relief elsewhere in the Group.

Pacific fund — The attributed assets, known as the Pacific fund, are an earmarked segment of the Pearl 0:100 long-term fund.

Each life fund within the Group is required to hold sufficient capital to meet the FSA's capital requirements. The regulatory capital requirement comprises amounts held in respect of expense, investment and insurance risks, called the Long-Term Insurance Capital Requirement. An additional amount to cover specified stress tests, known as the Resilience Capital Requirement, is required to be held by companies that are not subject to the FSA's realistic capital regime (i.e. NPIL).

For with-profits funds, a further test is required which compares realistic excess capital with excess capital calculated on a regulatory basis. Where the realistic excess capital is less, that company is required to hold additional capital known as the with profits insurance capital component ("WPICC") to cover the difference between both calculations. The realistic excess capital is calculated as the difference between each with-profits fund's realistic assets and realistic liabilities with a further deduction, known as the risk capital margin ("RCM") to cover prescribed stress tests.

In the Group's with-profits funds, measurement of realistic liabilities, including options and guarantees, is determined using stochastic methods which take into account actions which are assumed to be taken by management in response to changes in market conditions. Any such capital management initiatives undertaken by the Group will be consistent with the Principles and Practices of Financial Management ("PPFM"). The most significant management actions assumed in the measurement of liabilities are in respect of changes to bonus rates or assumed asset mix in certain scenarios.

The total regulatory capital requirement is deducted from the available capital resources to give excess capital on a regulatory basis.

Regulatory capital position statement

2007	With Profits: Pearl £m	With Profits: LLL £m	Non Participating £m	Life Business Shareholders' Funds £m	Total Life Business £m	Other Activities and Consolidation Adjustments £m	Group Total £m
Shareholders' funds outside long-term fund	—	—	—	1,419	1,419	(568)	851
Shareholders' funds held in long-term fund	—	—	328	—	328	—	328
Total shareholders' funds at 31 December 2007	—	—	328	1,419	1,747	(568)	1,179
Adjustments onto a regulatory basis:							
FFA	306	10	—	—	316	—	316
Adjustment to assets	(23)	(4)	(40)	(650)	(717)	(150)	(867)
Adjustments to liabilities	1,201	71	(31)	(14)	1,227	—	1,227
Other adjustments	—	—	—	—	—	59	59
Other qualifying capital:							
Subordinated debt	65	—	—	(65)	—	460	460
Contingent loans	—	18	16	—	34	(34)	—
Allocation of group capital	156	—	—	(156)	—	—	—
Total available capital resources at 31 December 2007	1,705	95	273	534	2,607	(233)	2,374
Capital Requirement							
UK realistic basis							1,634
Other regulatory bases							223
							1,857
Excess capital over regulatory requirements							517
Assets in excess of market risk and counterparty exposure limits							312
Excess of available capital resources							829

2006	With Profits: Pearl £m	With Profits: LLL £m	Non Participating £m	Life Business Shareholders' Funds £m	Total Life Business £m	Other Activities and Consolidation Adjustments £m	Group Total £m
Shareholders' funds outside long-term fund	—	—	—	1,388	1,388	(574)	814
Shareholders' funds held in long-term fund	—	—	294	—	294	—	294
Total shareholders' funds at 31 December 2006	—	—	294	1,388	1,682	(574)	1,108
Adjustments onto a regulatory basis:							
FFA	345	11	—	—	356	—	356
Adjustments to assets	(2)	(2)	(38)	(365)	(407)	(166)	(573)
Adjustments to liabilities	1,191	72	(30)	(7)	1,226	—	1,226
Other adjustments	—	—	—	—	—	65	65
Other qualifying capital:							
Subordinated debt	60	—	—	(60)	—	460	460
Contingent loans	33	34	3	(33)	37	(37)	—
Allocation of group capital	147	—	—	(147)	—	—	—
Total available capital resources at 31 December 2006	1,774	115	229	776	2,894	(252)	2,642
Capital Requirement							
UK realistic basis							1,679
Other regulatory bases							250
							1,929
Excess capital over regulatory requirements and excess of available capital resources							713

An analysis of the movement in available capital resources for the period 1 January 2007 to 31 December 2007 is shown below:

	With Profits		Non Participating	Life Business Shareholders' Funds	Total Life Business	Other Activities and Consolidation Adjustments	Group Total
	Pearl £m	LLL £m	£m	£m	£m	£m	£m
Total available capital resources at 1 January 2007	1,774	115	229	776	2,894	(252)	2,642
Regular surplus	143	15	32	—	190	—	190
Investment return	58	(22)	19	14	69	—	69
Cost of bonus	(153)	(9)	—	—	(162)	—	(162)
Changes in methodology and assumptions:							
Longevity	(51)	—	(27)	—	(78)	—	(78)
Expenses	133	2	9	—	144	—	144
Persistency	(19)	—	—	—	(19)	—	(19)
Annuity pricing	50	—	—	—	50	—	50
Other	30	1	5	—	36	—	36
Management actions:							
Investment strategy	(234)	—	—	—	(234)	—	(234)
Investment in Resolution plc	—	—	—	(228)	(228)	(4)	(232)
Payments from Pearl Group Limited	—	—	—	—	—	(67)	(67)
New business and other factors:							
Intragroup capital movement	(16)	(1)	(13)	(12)	(42)	52	10
Change in internal capital	(19)	—	(14)	(3)	(36)	—	(36)
Other	9	(6)	33	(13)	23	38	61
Total available capital resources at 31 December 2007	1,705	95	273	534	2,607	(233)	2,374

An analysis of the movement in available capital resources for the period 1 January 2006 to 31 December 2006 is shown below:

	With Profits		Non Participating	Life Business Shareholders' Funds	Total Life Business	Other Activities and Consolidation Adjustments	Group Total
	Pearl £m	LLL £m	£m	£m	£m	£m	£m
Total available capital resources at 1 January 2006	1,461	88	274	789	2,612	(270)	2,342
Regular surplus	207	30	40	—	277	—	277
Investment return	334	16	15	20	385	—	385
Cost of bonus	(125)	(11)	—	—	(136)	—	(136)
Changes in methodology and assumptions:							
Longevity	(82)	(10)	(44)	—	(136)	—	(136)
Expenses	(28)	(8)	34	—	(2)	—	(2)
Other	20	—	2	—	22	—	22
Management actions:							
Investment strategy	(20)	—	23	—	3	11	14
Business disposals	—	—	—	55	55	33	88
Corporate restructuring	—	—	26	—	26	35	61
Payments from Pearl Group Limited	—	—	—	—	—	(369)	(369)
Changes in regulatory requirements and similar external developments	—	—	57	—	57	—	57
New business and other factors:							
Intragroup capital movement	(42)	(1)	(206)	88	(161)	161	—
Change in internal capital	(47)	—	(4)	(96)	(147)	—	(147)
Other	96	11	12	(80)	39	147	186
Total available capital resources at 31 December 2006	1,774	115	229	776	2,894	(252)	2,642

The management actions that have had a significant impact on available capital resources during the period 1 January 2007 to 31 December 2007 are described below:

Investment strategy

Management have pursued an investment strategy within the with-profits fund of Pearl into assets which are zero-yielding under the regulatory peak, but offer improved longer term investment returns. In addition, these assets are exposed to higher investment expenses.

Investment in Resolution plc

As at 31 December 2007 the Group held a 25.93% equity investment in Resolution plc via a 20.13% holding carried by Pearl and a 5.80% stake carried by Pearl Group Limited. The Group recognised a gain of £82m through the consolidated profit and loss account and a loss of £2m within the consolidated statement of total recognised gains and losses in relation to the revaluation of this investment during the year before taking account of assets in excess of market risk and counterparty exposure limits.

Payments from Pearl Group Limited

During the year, the Company paid dividends of £33m (2006: £199m) and provided further loans of £nil (2006: £123m) to its holding companies. A further £34m (2006: £47m) outflow of capital represents interest paid on the £460m subordinated loans from the holding companies offset by interest received on loans to these shareholders from the Company.

Sensitivity analysis

Insurance liabilities are sensitive to changes in risk variables, such as prevailing market interest rates, currency rates and equity prices, since these variations alter the value of the financial assets held to meet obligations arising from insurance contracts and changes in investment conditions also have an impact on the value of insurance liabilities themselves. Additionally, insurance liabilities are sensitive to the assumptions which have been applied in their calculation, such as mortality and persistency rates. Sometimes allowance must also be made for the effect on future assumptions of management or policyholder actions in certain economic scenarios. This could lead to changes in assumed asset mix, or future bonus rates. The most significant sensitivities arise from the following three sources:

Market risk

If market conditions vary adversely from the assumed investment return and interest rates, then liabilities will increase. Where this increase is not offset by a corresponding change in asset values, there will be an overall reduction in available capital.

Mortality risk

Mortality risk arises from differences between anticipated and actual volumes of deaths on assurance business or improvements in longevity for annuity business.

For annuity contracts, an improvement in mortality leads to an increase in reserves and a reduction in capital. For term assurances, an improvement in mortality has a converse effect.

Persistency

Persistency risk arises where assumed levels of withdrawals diverge from actual experience. Where there are too few lapses and the policy provides a guarantee at a future point in time, the Group will need to provide for the cost of those additional guarantees, or have a suitable hedge. Where there are higher than assumed lapses and there are onerous surrender values, this will lead to a financial loss and a potential weakening of the capital position. When considering assumptions for persistency, thought needs to be given to the assumed behaviour of policyholders in relation to guarantees and options.

Analysis of policyholder liabilities

The Group's with-profits funds are subject to the FSA's realistic capital regime, under which liabilities to policyholders include both declared bonuses and the constructive obligation for future bonuses not yet declared. Under FRS 27 "Life Assurance" ("FRS 27") a further adjustment is made to exclude amounts, if any, attributable to shareholders in respect of future bonuses. Hence liabilities included in the balance sheet for the with profits funds do not include the amount representing the shareholders' share of future bonuses.

Analysis of policyholder liabilities

2007	With-Profits £m	Non Participating £m	Total Life Business £m
With profits liabilities on a realistic basis:			
Options and guarantees	1,892	—	1,892
Other policyholder obligations	12,310	—	12,310
Total with-profits liabilities	14,202	—	14,202
Unit linked	4	3,959	3,963
Non-participating life assurance	302	4,487	4,789
Technical provisions in the balance sheet	14,508	8,446	22,954

2006	With-Profits £m	Non Participating £m	Total Life Business £m
With profits liabilities on a realistic basis:			
Options and guarantees	1,989	—	1,989
Other policyholder obligations	13,365	—	13,365
Total with-profits liabilities	15,354	—	15,354
Unit linked	5	4,177	4,182
Non participating life assurance	316	4,255	4,571
Technical provisions in the balance sheet	15,675	8,432	24,107

Realistic working capital

The realistic liabilities for Pearl and LLL have been determined taking account of the requirement in Actuarial Guidance Note 45 ("GN 45") to show zero working capital for a realistic basis with-profit fund that is closed to new business, on the basis that any working capital will be distributed to policyholders and shareholders over time. If this requirement were disregarded, the surplus capital over regulatory requirements would increase by £748m (2006: £518m) and £42m (2006: £38m) in Pearl and LLL respectively. The requirements of GN 45 have not been applied to NPLL in the determination of its regulatory liabilities since the governance of this fund is such that all working capital is available to policyholders.

An analysis of the realistic working capital of each of the Group's with-profit funds is shown below:

2007	Pearl with-Profits £m	LLL with-Profits £m	NPLL £m	Total £m
Total shareholders' funds — held in long-term with-profits funds	—	—	—	—
Adjustments onto realistic basis:				
FFA	306	10	—	316
Adjustments to assets	(1)	—	93	92
Adjustments to liabilities	—	—	(23)	(23)
Shareholders' share in realistic liabilities	(305)	(10)	—	(315)
Working capital	—	—	70	70

2006	Pearl with-Profit £m	LLL with-Profit £m	NPLL £m	Total £m
Total shareholders' funds — held in long-term with-profits funds	—	—	—	—
Adjustments onto realistic basis:				
FFA	345	11	—	356
Adjustments to assets	(1)	—	90	89
Adjustments to liabilities	—	—	(22)	(22)
Shareholders' share in realistic liabilities	(344)	(11)	—	(355)
Working capital	—	—	68	68

38.3 Financial risk analysis

38.3.1 Credit risk

Exposure to credit risk arises from counterparties failing to meet all or part of their obligations, from a reinsurer's inability to meet the obligations assumed under its reinsurance arrangements or changes to the market value of assets caused by changes in perception of the creditworthiness of counterparties. The maximum exposure is equal to the carrying amount of those assets.

Credit risk is managed by monitoring of aggregate Group exposures to individual counterparties and by appropriate credit risk diversification. In certain cases, protection against exposure to particular credit risk types may be achieved through use of derivatives.

An indication of the Group's exposure to credit risk is the quality of the investments and counterparties with which it transacts. The Group is most exposed to credit risk on debt and other fixed income securities. Debt and other fixed income securities mainly comprise government bonds and corporate bonds. Given the nature of government bonds the credit risk associated with these is considered negligible and the Group therefore focuses on monitoring the quality of its corporate bonds.

The following table provides information regarding the aggregate credit exposure, for debt securities and other fixed interest securities with external credit ratings, of the Group.

2007	AAA	AA	A	BBB	BB	B	CCC	Non Rated	Carrying Value £m
Debt securities and other fixed income securities	62.1%	7.2%	13.1%	8.0%	2.4%	3.1%	0.3%	3.8%	12,575

2006	AAA	AA	A	BBB	BB	B	CCC	Non Rated	Carrying Value £m
Debt securities and other fixed income securities	62.0%	8.3%	16.4%	6.3%	1.7%	3.1%	—	2.2%	15,215

The majority of over the counter derivatives are only entered into with approved counterparties, unless specific approval has been obtained by ALIMCo and the Financial Risk Committee, thus reducing credit risk on these instruments.

With regard to deposits with credit institutions, Group practice is to hold cash and deposits with financial institutions and in money market funds that have a rating of A1, P1 or higher.

The Group is exposed to concentrations of risk with individual reinsurers, due to the nature of the reinsurance market. The Group's largest reinsurance exposure at 31 December 2007 was to Opal Reassurance Limited and the reinsurance asset recoverable was £3,647m (2006: £117m to National Indemnity). In order to mitigate the credit risk arising from this exposure and to protect policyholders, the terms of the reassurance arrangements provide that the initial premium payable has been withheld and placed in collateral accounts. The Group operates a policy to manage its reinsurance counterparty risk and the impact from reinsurer default is measured regularly.

The following table gives information regarding the ageing of financial assets that are past due but not impaired and the carrying value of financial assets that have been impaired.

2007	Neither Past due nor Impaired	0-30 Days	30-90 Days	>90 Days	Impaired	Carrying Value £m
Debt securities and other fixed income securities	100.0%	—	—	—	—	12,575
Deposits with credit institutions	100.0%	—	—	—	—	219
Derivative assets	100.0%	—	—	—	—	612
Loans and receivables at amortised cost	100.0%	—	—	—	—	221
Debtors	89.4%	4.3%	0.6%	5.7%	—	102
Accrued interest and rent	94.9%	3.5%	0.5%	1.1%	—	255
Cash at bank and in hand	100.0%	—	—	—	—	644

2006	Neither Past due nor Impaired	0-30 Days	30-90 Days	>90 Days	Impaired	Carrying Value £m
Debt securities and other fixed income securities	100.0%	—	—	—	—	15,215
Deposits with credit institutions	100.0%	—	—	—	—	369
Derivative assets	100.0%	—	—	—	—	376
Loans and receivables at amortised cost	100.0%	—	—	—	—	221
Debtors	80.1%	10.3%	1.8%	5.7%	2.1%	101
Accrued interest and rent	90.0%	7.1%	1.5%	1.4%	—	287
Cash at bank and in hand	100.0%	—	—	—	—	458

There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

38.3.2 Market risk

Market risk is the risk of adverse financial impact due to fluctuations in the fair values or future cash flows of financial instruments whether arising from changes to interest rates, equity prices, property prices or foreign currency exchange rates.

Interest rate risk

Interest rate risk is the risk that the Group will sustain losses through adverse movements in interest rates due to the effect such movements have on the value of interest-bearing assets and on the value of future guarantees provided under certain contracts of insurance.

Interest rate risk is managed by matching assets and liabilities where practicable and by entering into swap arrangements where appropriate. This is particularly the case for the non participating funds. For

participating business, some element of investment mismatching is permitted where it is consistent with the principles of treating customers fairly. The with-profit funds of the Group provide capital to allow such mismatching to be effected. In practice, the life companies of the Group maintain an appropriate mix of fixed and variable rate instruments according to the underlying insurance or investment contracts and will review this at regular intervals to ensure that overall exposure is kept within the risk profile agreed for each particular fund. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

The sensitivity analysis for interest rate risk indicates how changes in the fair value or future cash flows of a financial instrument arising from changes in market interest rates at the reporting date result in a change in profit after tax and shareholder equity. It takes into account the effect of such changes in market interest rates on all assets and liabilities that contribute to the Group's reported profit after tax and shareholder equity.

With-profit business and non profit business within the with-profit funds are exposed to interest rate risk as guaranteed liabilities are valued relative to market interest rates and investments include fixed interest stocks and derivatives. For with-profit business the profit or loss arising from mismatches between such assets and liabilities is largely offset by increased or reduced discretionary policyholder benefits. The contribution of these funds to the Group result is determined primarily by either the shareholders' share of the declared annual bonus or by the shareholder's interest in any change in value in the contingent loans advanced to the NPLL and LLL with-profits funds.

In the non participating funds, policy liabilities are duration matched with primarily fixed interest securities, with the result that sensitivity to changes in interest rates is very low.

An increase of 1% in interest rates, with all other variables held constant, would result in a decrease in the profit after tax in respect of a full financial year and decrease in shareholder equity of £68m (2006: £26m). A decrease of 1% in interest rates, with all other variables held constant, would result in an additional profit after tax in respect of a full financial year an increase in shareholder equity of £79m (2006: £20m).

Equity and property price risk

Equity and property price risk is the risk that a reduction in the value of equities or property assets through market fluctuation will restrict assets available to fund long-term fund obligations, which could create liquidity risk and may also require shareholder funds to be transferred to cover any shortfalls. The Group is exposed to equity price risk as a result of its holdings in equity investments and to property price risk as a result of its holdings of investment properties, either directly or indirectly via intermediate investment structures.

Equity and property price risk is managed through the agreement and monitoring of financial risk profiles that are appropriate for each of the Group's life funds in respect of maintaining adequate regulatory capital and treating customers fairly. This is largely achieved through asset class diversification.

The sensitivity analysis for equity and property risk illustrates how a change in the fair value of equities and properties affects the Group result. It takes into account the effect of such changes in equity and property prices on all assets and liabilities that contribute to the Group's reported profit after tax and shareholder equity.

Equity and property investments are principally used as investments of the Group's with profits funds. The contribution of these funds to the Group result is determined primarily by either the shareholders' share of the declared annual bonus or by the shareholder's interest in any change in value in the contingent loans advanced to the NPLL and LLL with-profits funds. In addition the Group is exposed to equity price risk on its investment in Resolution plc.

A 10% decrease in equity/property prices, with all other variables held constant, would result in a decrease in the profit after tax in respect of a full financial year of £106m (2006: £36m) and a decrease in shareholder equity of £134m (2006: £36m). A 10% increase in equity/property prices, with all other variables held constant, would result in an increase in the profit after tax in respect of a full financial year of £109m (2006: £36m) and an increase in shareholder equity of £137m (2006: £36m).

Currency risk

Currency risk arises from financial assets and financial liabilities denominated in foreign currencies. There is a risk that the Group will suffer losses through adverse movements in currency exchange rates.

Foreign currency risk is managed through appropriate monitoring and use of forward contracts to mitigate risk where this is beneficial.

Sensitivity of profit and shareholders' equity to fluctuations in currency exchange rates is not considered significant at 31 December 2006 and 31 December 2007, since unhedged exposure to foreign currency was relatively low.

38.3.3 Liquidity risk

Liquidity risk arises from either the inability to close out a particular position at or near the previous market price as well as from having insufficient liquid assets to meet payment obligations.

Financial markets have seen significant volatility during the latter half of the financial year as evidenced by the widening of credit spreads and the fall in demand of the commercial property market A very substantial proportion of the Group's assets are invested in listed securities such that liquidity risk is not a major issue. The Group has some appetite for illiquid assets, mainly for the with-profits funds, where there is appropriate compensation for the risk taken and where the matching liabilities are equally illiquid. Overall liquidity risk is low.

Liquidity risk is managed by the Group through the monitoring of current assets to ensure there are sufficient readily realisable assets within the funds to settle liabilities.

The following table provides a maturity analysis showing the remaining contractual maturities of the Group's undiscounted financial liabilities and associated interest:

2007	1 Year or Less or on Demand £m	1-5 Years £m	5-10 Years £m	10-15 Years £m	15-20 Years £m	Greater Than 20 Years £m	No Fixed Term £m	Total £m
Debenture loans	85	187	323	74	—	—	289	958
Amounts owed to credit institutions	—	—	—	—	—	—	328	328
Derivative liabilities	119	27	124	20	10	243	—	543
Creditors arising out of direct insurance operations	1	—	—	—	—	—	—	1
Other creditors including taxation and social security	1,349	17	4	—	—	—	—	1,370
Investment contracts with discretionary participation features, included in long-term business provision	725	2,131	2,341	1,848	1,610	2,502	—	11,157

2006	1 Year or Less or on Demand £m	1-5 Years £m	5-10 Years £m	10-15 Years £m	15-20 Years £m	Greater Than 20 Years £m	No Fixed Term £m	Total £m
Debenture loans	47	227	305	136	—	—	289	1,004
Amounts owed to credit institutions	—	—	—	—	—	—	291	291
Derivative liabilities	1	35	52	26	2	159	—	275
Creditors arising out of direct insurance operations	1	—	—	—	—	—	—	1
Other creditors including taxation and social security	238	29	5	—	—	—	—	272
Investment contracts with discretionary participation features, included in long-term business provision	771	2,372	2,608	2,043	1,803	2,525	—	12,122

38.4 Unit linked contracts

For unit linked contracts the Group matches all the liabilities with assets in the portfolio on which the unit prices are based. There is therefore no interest, price, currency or credit risk for the Group on these contracts.

In extreme circumstances, the Group could be exposed to liquidity risk in its unit linked funds. This could occur where a high volume of surrenders coincides with a tightening of liquidity in a unit linked fund to the point where assets of that fund have to be sold to meet those withdrawals. Where the fund affected consists of property, it can take several months to complete a sale and this would impede the proper operation of the fund. In these situations, the Group considers its risk to be low since there are steps that can be taken first within the funds themselves to both ensure the fair treatment of all investors in those funds and to protect the Group's own risk exposure.

39. Company balance sheet notes

39.1 Fixed assets

	Note	31 Dec 07 £m	31 Dec 06 £m
Shares in subsidiary undertakings	39.1(a)	2,687	2,723
Loans to subsidiary undertakings	39.1(b)	4	—
Loans to external undertakings	39.1(b)	174	174
Contingent loan	39.1(b)	158	154
Other financial investments	39.1(c)	24	23
Total fixed asset investments		3,047	3,074

(a) Shares in subsidiary undertakings

	£m
Cost	
At 1 January 2007	2,723
Additions	22
Disposals	(6)
At 31 December 2007	2,739
Provision for impairment	
At 1 January 2007	—
Charge for the year	(52)
At 31 December 2007	(52)
Net book value	
At 31 December 2007	2,687
At 31 December 2006	2,723

During 2007 under the terms of a price adjustment mechanism in the sale and purchase agreements of London Life Holdings Limited and London Life Limited, the consideration in respect of each acquisition was reduced by £17m.

On 10 December 2007 the Company made a capital contribution of £57m to Pearl Assurance plc.

During 2007 Pearl ISA Limited and UKLS Financial Services Limited were put into members voluntary liquidation and the share capital of £1m and £3m respectively was distributed to the Company.

On 25 April 2007 the Company sold 49.5% of its issued share capital in Axial Investment Management Limited to external parties at cost of £2m. No profit or loss arose on this transaction.

During 2007 Pearl Assurance Group Holdings Limited paid dividends to the Company, triggering an impairment of £52m.

(b) Loans

	Loan to Subsidiary Note (i) £m	Loan to External Undertakings Note (ii) £m	Contingent Loan Note (iii) £m	Total £m
At 1 January 2007	—	174	154	328
Additions	4	—	—	4
Surplus on revaluation	—	—	4	4
At 31 December 2007	4	174	158	336
Cost				
At 31 December 2007	4	174	286	464
At 31 December 2006	—	174	286	460

(i) On the 1 July 2007, the Company provided two £2m loans to Axial Investment Management Limited with interest rates of 6 month LIBOR plus a margin of 1.25% and maturity dates of 1 July 2009 and 1 July 2012.

(ii) The £174m loan with Sun Capital Investment Limited and Hera Investment One Limited is a draw down on a £1.5 billion facility, accrues interest at a rate of 12% per annum and matures on 14 April 2014.

(iii) The contingent loan with London Life Limited has an interest moratorium until 31 December 2009. Interest will start accruing on this contingent loan after 1 January 2010. The loan has an indefinite term (see note 32).

(c) Other financial investments

	31 Dec 07		31 Dec 06	
	Carrying Value £m	Cost £m	Carrying Value £m	Cost £m
Ordinary shares	24	—	23	—

On 22 February 2006 the Company subscribed for 240,000 £1 ordinary shares in Diligenta Limited at par, a 24% equity investment. This investment has been valued at the fair value of the future option price exercisable by the Company in 2011.

39.2 Debtors — due within one year

	31 Dec 07 £m	31 Dec 06 £m
Amounts due from Group undertakings	8	28
Other debtors	23	7
Prepayments and accrued income	16	6
	47	41

39.3 Current asset investments

	31 Dec 07 £m	31 Dec 06 £m
At 1 January	2	—
Additions	295	3
Disposals	(1)	(1)
Deficit on revaluation	(2)	—
At 31 December	294	2

During the year the Company acquired 39,777,537 shares in Resolution plc at a cost of £285m.

During the year the Company provided additional security to the Pension Scheme by making a £10m payment into an escrow fund (see note 34).

39.4 Creditors: amounts falling due within one year

	31 Dec 07 £m	31 Dec 06 £m
Amount owed to Group undertakings	1,267	1,421
Loans due to Group undertakings (note 39.6)	112	164
Other creditors	284	27
Accruals and deferred income	47	42
	1,710	1,654

39.5 Creditors: amounts falling due after more than one year

	31 Dec 07 £m	31 Dec 06 £m
Loans due to Group undertakings (note 39.6)	269	162
Loans due to external undertakings (note 39.6)	460	460
	729	622

39.6 Loans

	31 Dec 07 £m	31 Dec 06 £m
£289 million 12% subordinated loans (note a)	289	289
£171 million 12% subordinated loans (note b)	171	171
Loans due to Group undertakings	381	326
	841	786

(a) Subordinated loans of £144.5m each were issued by Sun Capital Investments Limited and Hera Investments One Limited to the Company at par on 13 April 2005 at an interest rate of 12% per annum and will continue without limit of time.

(b) Subordinated loans of £85.5m each were issued by Sun Capital Investments Limited and Hera Investments One Limited to the Company at par on 13 April 2005 at an interest rate of 12% per annum and mature on 13 April 2015.

	31 Dec 07 £m	31 Dec 06 £m
Payable as follows:		
In one year or less, or on demand	112	164
In five years or more	729	622
	841	786

	31 Dec 07 £m	31 Dec 06 £m
Nature of borrowings:		
Fixed rate borrowings	478	478
Floating rate borrowings	334	279
Interest free borrowings	29	29
	841	786

39.7 Deferred taxation

Reconciliation of movements in deferred tax:

	31 Dec 07 £m	31 Dec 06 £m
At 1 January	7	—
Charge for the year:	—	7
At 31 December	7	7

The components of the net deferred tax liability are as follows:

	31 Dec 07 £m	31 Dec 06 £m
Unrealised gain	7	7
Total on an undiscounted and a discount basis	7	7

39.8 Reserves and reconciliation of movement in shareholders' funds

	Share Capital £m	Profit and Loss Account £m	Shareholders' Funds £m
At 1 January 2006	596	79	675
Profit after taxation for the year ended 31 December 2006	—	369	369
Dividends (note 6)	—	(199)	(199)
Actuarial gains on pension scheme	—	9	9
Tax on items taken directly to equity	—	(3)	(3)
At 31 December 2006	596	255	851
Profit after taxation for the year ended 31 December 2007	—	167	167
Dividends (note 6)	—	(33)	(33)
Fair value adjustment on available for sale financial assets	—	(2)	(2)
Actuarial losses on pension scheme	—	(11)	(11)
Tax on items taken directly to equity	—	3	3
At 31 December 2007	596	379	975

The profit and loss account of the Company at 31 December 2007 includes £169m (2006: £119m) which is non-distributable.

40. Post balance sheet events

On 16 November 2007, the Boards of Pearl Group Limited and Resolution plc ("Resolution") announced that they had agreed the terms of a recommended cash acquisition by Impala Holdings Limited ("Impala"), for the entire issued and to be issued share capital of Resolution. This acquisition was to be by way of a Court sanctioned scheme of arrangement under section 425 of the Companies Act (the "Scheme"). On 9 January 2008, the shareholders of Resolution voted in favour of accepting Impala's acquisition offer at an extraordinary general meeting of Resolution and also at a meeting convened by order of the Court. The completion of the acquisition remains subject to approval by the FSA of the change of control. It is anticipated that the acquisition will be effective in the second quarter of 2008.

Following the acquisition, Pearl Group Limited will become the largest specialist manager of in-force UK life funds, with an estimated 10.5 million customers and assets under management of £89 billion. The strategy of the enlarged group will continue to be to improve risk-adjusted financial returns for its policyholders and other stakeholders to improve policyholder financial security and provide excellent service to its customers.

As at 31 December 2007 the Group held a 25.93% equity investment in Resolution via a 20.13% holding carried by Pearl Assurance plc and a 5.80% stake carried by Pearl Group Limited. The Group recognised a gain of £82m through the consolidated profit and loss account and a loss of £2m within the consolidated statement of total recognised gains and losses in relation to the revaluation of this investment during the year. Following completion, these gains / losses recognised in 2007 will be reversed in the Group accounts through the application of acquisition accounting in 2008.

Under the terms of the acquisition, Resolution shareholders will receive 720 pence in cash for each share held. As an alternative to receiving some or all of their consideration in cash, shareholders will be entitled to receive loan notes issued by Impala which will accrue interest at 1% below six month sterling LIBOR. This is anticipated to give a total fair value of consideration paid by Impala for the acquisition of Resolution of circa £4.98 billion.

As an integral part of the acquisition, Impala and Pearl Group Limited have entered into an agreement with Royal London under which, following the completion of the acquisition of Resolution, Royal London will acquire certain of Resolution's business and assets. The total consideration payable by Royal London in connection with this transaction is expected to be circa £1.3 billion. As these assets will be transferred at their fair value on completion, nil profit will arise in Impala on this transaction.

The holdings of Pearl Group Limited and Pearl Assurance plc will be transferred to Impala at fair value on completion with the result being that Resolution will become a 100% owned subsidiary of Impala as at that date with an anticipated net cost of investment (excluding acquisition costs) of circa £3.68 billion.

Resolution plc

Independent auditors' report to the members of Resolution plc

We have audited the consolidated financial statements of Resolution plc for the year ended 31 December 2007 which comprise the accounting policies, the consolidated income statement, the analysis of equity holders' attributable profit, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 52. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Resolution plc for the year ended 31 December 2007 and on the information in the Remuneration report that is described as having been audited.

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 consolidated financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the consolidated financial statements 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 consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the consolidated financial statements. The information given in the Directors' report includes that specific information presented in the Business review that is cross referred from the Directors' report.

In addition we report to you if, in our opinion, 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 review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited consolidated financial statements. The other information comprises only the Operating and financial review, the Directors' report, the Corporate governance statement, the Corporate responsibility statement and the Remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

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 consolidated financial statements. It also includes an assessment of the

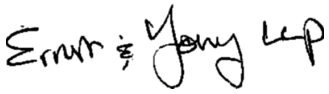
significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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 consolidated financial statements 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 consolidated financial statements.

Opinion

In our opinion :

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the consolidated financial statements.



Ernst & Young LLP
Registered auditor
London

28 April 2008

(a) Basis of preparation

The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group").

The financial statements are presented in pounds sterling, rounded to the nearest £ million except where otherwise stated. This is a change from the previous basis of presenting the financial statements to the nearest £0.1 million and accordingly the comparative amounts have been restated. The financial statements are prepared on the historical cost basis except that investment property, derivatives, equities, fixed income securities and collective investment schemes are stated at fair value.

European Union (EU) law requires that the consolidated financial statements of the Group for the year ended 31 December 2007 are prepared in accordance with international financial reporting standards adopted for use in the EU (IFRS).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(b) Critical accounting estimates and judgements

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Group's business that typically require such estimates are insurance and investment contract liabilities, determination of the fair value for financial assets and liabilities, impairment tests for intangible assets and income taxes.

Insurance and investment contract liability accounting is discussed in more detail in accounting policies (f) and (i) with further detail of the key assumptions made in determining insurance and investment contract provisions included in note 26.

The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policy (s). They are valued on the basis of listed market prices insofar as this is possible. If prices are not readily determinable, fair value is based on management estimates based on prices supplied by suitably qualified counterparties, of amounts that could be realised under current market conditions.

Intangible assets are subject to regular impairment reviews as required. Impairments are measured at the difference between the carrying value of a particular asset and its recoverable amount. Impairments are recorded in the income statement in the period in which they occur. The Group's policy in relation to impairment testing is detailed in accounting policy (p).

The accounting policy for income tax is detailed in accounting policy (o).

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings including collective investment schemes where the Group exercises overall control. Certain of the collective investment schemes have non-coterminous balance sheet dates and are consolidated on the basis of additional financial statements prepared to the balance sheet date. The third party interest in the collective investment schemes is classified as a liability and shown in the balance sheet as net asset value attributable to unit holders. Intragroup balances and income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Subsidiary undertakings are consolidated from the date that effective control is obtained by the Group and are excluded from consolidation from the date they cease to be subsidiary undertakings.

Following the adoption of IFRS the Group has used the purchase method to account for the acquisition of subsidiary undertakings. The cost of an acquisition has been measured at the fair value of the consideration plus directly attributable costs. Any excess of the cost of acquisition over the fair value of the net assets acquired has been treated as goodwill. Any excess of the fair value of the net assets acquired over the cost of acquisition has been credited to the income statement. For acquisitions prior to 1 January 2004, the date of transition to IFRS, the accounting treatment adopted under UK GAAP has been retained.

Minority interests are stated at the initial amount attributed adjusted for the relevant share of subsequent changes in equity.

(d) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the transacting Group entity using the average exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items are reported as part of the fair value gain or loss.

Income statements and cash flows of overseas operations are translated into the Group's presentational currency at the average exchange rates prevailing during the year and their balance sheets are translated at the exchange rates ruling on the balance sheet date. The differences arising are recognised in the statement of recognised income and expense.

(e) Classification of contracts

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

(f) Insurance contracts and investment contracts with discretionary participation features (DPF)

Premiums

In respect of insurance contracts and investment contracts with DPF, premiums are accounted for on a receivable basis and exclude any taxes or duties based on premiums. Outward reinsurance premiums are accounted for on a payable basis.

Claims

Claims on insurance contracts and investment contracts with DPF reflect the cost of all claims arising during the year, including policyholder bonuses allocated in anticipation of a bonus declaration.

Liabilities under insurance contracts

The liabilities under insurance contracts have been computed having due regard to the principles laid down in Council Directive 2002/83/EC.

The Group's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4, as they allow for current estimates of all contractual cash flows and of related cash flows such as claims handling costs. Cash flows resulting from embedded options and guarantees are also allowed for, with any deficiency being recognised in the income statement.

The Group has voluntarily adopted the provisions of the UK Accounting Standard Board's FRS 27 *Life Assurance*. In accordance with its requirements the liabilities under insurance contracts include an amount equivalent to the realistic liabilities of the Group's major with-profit funds, as reported to the UK regulator. The key aspects of this methodology are:

- liabilities to policyholders arising from with-profit life assurance business are stated at the amount of the realistic value of the liabilities, adjusted to exclude the equity holders' share of projected future bonuses;
- acquisition costs are not deferred; and
- reinsurance recoveries are measured on a basis that is consistent with the valuation of the liability to policyholders to which the reinsurance applies.

For non-profit business both the net premium and gross premium methods are used.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy.

(g) Unallocated surplus

The unallocated surplus comprises the excess of the assets over the policyholder liabilities of the with-profit business of the Group's life operations determined in accordance with FRS 27. For the Group's major with-profit funds, this represents amounts which have yet to be allocated to equity holders. For the Group's minor with-profit funds, this represents amounts which have yet to be allocated to policyholders or equity holders. As permitted by IFRS 4, the unallocated surplus has been classified as a liability.

The Group's major with-profit funds are closed to new business. In accordance with the principles established by FRS 27, for these funds the whole of the unallocated surplus attributable to policyholders has been included within liabilities under insurance contracts.

(h) Investment contracts without DPF

Receipts and payments on investment contracts without DPF are accounted for using deposit accounting, under which the amounts collected and paid out are recognised in the balance sheet as an adjustment to the liability to the policyholder.

(i) Liabilities under investment contracts

The valuation of liabilities on unit-linked contracts is based on the fair value of the related assets and liabilities. The financial liability is measured based on the carrying value of the assets and liabilities that are held to back the contract. Where the surrender value of an investment contract exceeds the financial liability the liability is increased to reflect the surrender value. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy.

(j) Revenue from investment contracts

Revenues from investment contracts comprise amounts assessed against policyholders' account balances for policy administration and surrender charges and are recognised as the related services are provided.

(k) Net investment income

Net investment income comprises interest, dividends and rents receivable plus fair value gains and losses on financial assets and investment property.

Interest income is recognised in the income statement as it accrues. Dividend income is recognised in the income statement on the date the right to receive payments is established, which in the case of listed securities is the ex dividend date.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(l) Longer term investment return

The operating profit attributable to equity holders, based on a longer term rate of investment return, is determined by applying the longer term rates of return to the opening equity holder invested assets adjusted for capital movements in the year, excluding subsidiary investments. The longer term rates of return on equity holder investments are determined by reference to historical rates of return and future economic and investment return expectations.

(m) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit schemes

The net surplus or deficit in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value and the fair value of any scheme assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The movement in the surplus/deficit is analysed between the service cost, the net interest gain or loss, curtailment gains/losses and actuarial gains and losses. The latter are accounted for in the statement of recognised income and expense.

Part of the cost of changes in the longevity assumptions is recoverable from certain with-profit funds to the extent that cash contributions are made to the pension scheme. Recoveries are recognised when the related cash contributions are agreed with the Trustees of the pension scheme and are accounted for as a transfer to the statement of recognised income and expense from unallocated surplus or, for the major with-profit funds that are closed to new business, insurance contract liabilities.

Share-based payment transactions

The Group issues 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. IFRS *2 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 is 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 ordinary shares that the employee will ultimately receive.

The fair value of the SAYE, ESOS and SMP options granted is 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 number of share options that have vested or are expected to vest except

where changes in expectations are due to performance conditions 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.

(n) Borrowings

Interest bearing borrowings are recognised initially at fair value less any attributable transaction costs. The difference between initial cost and the redemption value is amortised through the income statement over the period of the borrowing using the effective interest method.

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in the statement of recognised income and expense, in which case it is recognised in that statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantially enacted at the balance sheet date together with adjustments to tax payable in respect of previous years.

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided in respect of temporary differences arising from the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The tax charge is analysed between tax that is payable in respect of policyholders' returns and tax that is payable on equity holders' returns. This allocation is calculated based on an assessment of the effective rate of tax that is applicable to the equity holders for the year.

(p) Intangible assets

Goodwill

Business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. For acquisitions prior to 1 January 2004, goodwill is included at its carrying amount under previous generally accepted accounting principles.

Goodwill is stated at cost less accumulated impairment losses. It is tested for impairment annually or when there is evidence of possible impairment.

Acquired in-force business

Insurance and investment contracts acquired in business combinations and portfolio transfers are measured at fair value at the time of acquisition. The difference between the fair value of the contractual rights acquired and obligations assumed and the liability measured in accordance with the Group's accounting polices for such contracts is recorded as acquired in-force business.

Amortisation

Acquired in-force business is amortised over the estimated life of the contracts on a basis which recognises the emergence of the economic benefits. Other intangible assets are amortised on a straight-line basis over their estimated useful lives. The carrying value of intangible assets is tested for impairment at each balance sheet date.

(q) Investment property

Investment property is stated at fair value. Fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. Gains and losses arising from the change in fair value are recognised in the income statement.

(r) Property, plant and equipment

Owner-occupied property is stated at fair value, being the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. Owner-occupied property is depreciated over its estimated useful life, which is taken as fifty years. Land is not depreciated. Gains and losses on owner-occupied property held by the equity holders' funds are recognised in the statement of recognised income and expense.

Plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives.

(s) Financial assets

Purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

Loans and deposits are stated in the balance sheet at amortised cost less impairment losses. Impairment losses are recognised when there is evidence that the recoverable amount of a loan or deposit is less than its carrying amount.

Equities, fixed income securities and collective investment schemes are designated as at fair value through the income statement and accordingly are stated in the balance sheet at fair value which is consistent with the Group's stated risk management policies which are to manage financial assets and evaluate their performance on a fair value basis so as to maximise returns to equity holders. Resultant gains and losses are recognised in the income statement. The fair value of these assets is their quoted bid price at the balance sheet date.

Derivative financial instruments are held for trading. They are recognised initially at fair value and subsequently are re-measured to fair value which is consistent with the Group's stated risk management policies. Exchange-traded derivatives are valued at the published bid price or, if this is not available, by using valuation techniques such as discounted cash flow models or option pricing models. The gain or loss on remeasurement to fair value is recognised in the income statement.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits with an original maturity term of three months or less at the date of placement. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(u) Assets held for sale

Assets held for sale are included in the balance sheet at the lower of their carrying amount and the fair value less costs to sell.

(v) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Group has a present legal or constructive obligation but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(w) 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 coupons on the securities are recognised on the date of payment and charged directly to the statement of changes in equity, net of tax relief.

(x) Earnings per ordinary share

Earnings per ordinary share are based on the earnings attributable to equity holders of the parent after deducting preference share dividends and coupons on the perpetual reset capital securities paid in the year.

(y) Dividends

Dividends declared by ordinary shareholders are recognised as a liability on the date of declaration and dividends declared by the directors are recognised on the date of payment. Dividends are charged directly to equity.

Resolution plc

Consolidated income statement
for the year ended 31 December 2007

	Notes	2007 £m	2006 £m (Restated)
Gross premiums written		**2,104**	1,633
Less: premiums ceded to reinsurers		**(330)**	(151)
Net premiums written		**1,774**	1,482
Fees and commissions	5	**150**	104
Net investment income	6	**2,365**	3,244
Total revenue, net of reinsurance payable		**4,289**	4,830
Other operating income	7	**9**	313
Net income		**4,298**	5,143
Policyholder claims		**5,692**	4,709
Less: reinsurance recoveries		**(326)**	(369)
Change in insurance contract liabilities		**(2,703)**	(1,384)
Transfer from unallocated surplus	23	**(2)**	(379)
Net policyholder claims and benefits incurred		**2,661**	2,577
Change in investment contract liabilities		**387**	409
Acquisition costs	8	**112**	89
Amortisation of acquired in-force business	35	**228**	265
Impairment of acquired in-force business and deferred acquisition costs	35	—	522
Administrative expenses		**594**	488
Net income attributable to unit holders		**99**	217
Other operating expenses	11	**89**	—
Total operating expenses		**4,170**	4,567
Operating profit before financing costs and income taxes		**128**	576
Financing costs	12	**(125)**	(94)
Profit for the year before income taxes		**3**	482
Income taxes	13	**132**	49
Profit for the year attributable to equity holders		**135**	531
Attributable to:			
Equity holders of the parent			
Ordinary shareholders		**115**	494
Perpetual reset capital securities		**33**	33
		148	527
Minority interests		**(13)**	4
		135	531
Earnings per ordinary share			
Basic earnings per ordinary share	14	**16.8p**	97.8p
Diluted earnings per ordinary share	14	**16.7p**	97.3p
Dividends on ordinary shares paid in the year			
Final 2006 at 13.28p (Second Interim 2005 at 11.55p) per share		**91**	48
Interim 2007 at 9.17p (2006 at 6.64p) per share		**63**	45
Dividend on ordinary shares proposed after the end of the year			
None (Proposed final 2006 at 13.28p per share)		—	91
Dividends paid to minority interests in the year		**10**	5

Resolution plc

Analysis of equity holders' attributable profit
for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Operating profit before financing costs and income taxes		**128**	576
Financing costs attributable to policyholders	12	**(80)**	(62)
Policyholders' share of income taxes	13	**146**	75
Operating profit attributable to equity holders, based on a longer term rate of investment return, before amortisation of acquired in-force business, asset management internalisation costs and fair value of distribution agreements and protection broker consultant business, non-recurring items and short term investment fluctuations		**587**	533
Amortisation of acquired in-force business		**(199)**	(230)
Amortisation of asset management internalisation costs		**(9)**	(7)
Amortisation of fair value of distribution agreements and protection broker consultant business		**(22)**	(8)
Non-recurring items (net)	3	**(162)**	297
Short term investment fluctuations		**(1)**	4
Operating profit attributable to equity holders		**194**	589
Financing costs attributable to equity holders	12	**(45)**	(32)
Profit before income taxes attributable to equity holders		**149**	557
Equity holders' share of income taxes	13	**(14)**	(26)
Profit for the year attributable to equity holders		**135**	531

Resolution plc

Consolidated statement of recognised income and expense for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Actuarial gains/(losses) of defined benefit pension scheme	33	**1**	(4)
Contribution in respect of actuarial losses of defined benefit pension scheme by the with-profit funds	33	**44**	—
Exchange differences on translating foreign operations		**9**	—
		54	(4)
Income taxes	13	**(2)**	4
Net income recognised directly in equity		**52**	—
Profit for the year attributable to equity holders		**135**	531
Total recognised income and expense for the year attributable to equity holders		**187**	531
Attributable to:			
Equity holders of the parent			
Ordinary shareholders		**167**	494
Perpetual reset capital securities		**33**	33
		200	527
Minority interests		**(13)**	4
		187	531

Resolution plc

Consolidated balance sheet
as at 31 December 2007

	Notes	2007 £m	2006 (restated) £m
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	16	**34**	34
Share premium		**1,537**	1,534
Perpetual reset capital securities	18	**497**	497
Reserves	19	**1,056**	1,048
Retained earnings	20	**1,283**	1,268
Total equity attributable to equity holders of the parent		**4,407**	4,381
Minority interests	21	**192**	154
Total equity	15	**4,599**	4,535
Liabilities			
Insurance contracts			
Liabilities under insurance contracts	22	**43,168**	45,807
Unallocated surplus	23	**703**	702
		43,871	46,509
Provisions	24	**69**	65
Financial liabilities			
Investment contracts	25	**8,672**	9,265
Borrowings	29	**456**	1,278
Deposits received from reinsurers	30	**467**	482
Derivatives	41	**303**	2
Net asset value attributable to unit holders		**577**	911
		10,475	11,938
Deferred tax	42	**857**	982
Reinsurance payables		**67**	60
Payables related to direct insurance contracts		**431**	228
Deferred income			
Investment contracts		**53**	62
Other		**15**	28
	31	**68**	90
Current tax	42	**130**	169
Accruals		**145**	103
Trade and other payables	32	**501**	655
Total liabilities		**56,614**	60,799
Total equity and liabilities		**61,213**	65,334

	Notes	2007 £m	2006 (restated) £m
ASSETS			
Pension scheme surplus	33	**79**	80
Property, plant and equipment	34	**39**	55
Intangible assets			
Goodwill		**209**	209
Acquired in-force business		**1,817**	2,045
Deferred acquisition costs		**79**	72
Other		**110**	113
	35	**2,215**	2,439
Investment property	37	**2,410**	2,705
Financial assets			
Loans and deposits	40	**804**	732
Derivatives	41	**297**	208
Equities		**10,275**	10,425
Fixed and variable rate income securities		**25,975**	26,406
Collective investment schemes		**9,607**	14,135
	38	**46,958**	51,906
Insurance assets			
Reinsurers' share of insurance contract liabilities	22	**3,212**	3,198
Reinsurance receivables		**124**	112
Insurance contract receivables		**34**	31
		3,370	3,341
Current tax	42	**157**	59
Prepayments		**524**	308
Trade and other receivables		**444**	547
Cash and cash equivalents	43	**5,005**	3,894
Asset held for sale	44	**12**	—
Total assets		**61,213**	65,334

Signed on behalf of the board by

Jim Newman
Group Finance Director

28 April 2008

Resolution plc

Consolidated cash flow statement
for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Cash flows from operating activities			
Net decrease/(increase) in operating assets and liabilities	45	**2,383**	(771)
Finance costs		**(111)**	(89)
Taxation paid		**(137)**	(145)
Net cash flows from operating activities		**2,135**	(1,005)
Cash flows from investing activities			
Purchase of businesses/subsidiaries	46	**(30)**	888
Purchase of property, plant and equipment		**(4)**	(1)
Purchase of intangible assets		**—**	(29)
Proceeds from sale of property, plant and equipment		**5**	5
Net cash flows from investing activities		**(29)**	863
Cash flows from financing activities			
Proceeds from issue of share capital		**3**	1,550
Cost of issuing shares		—	(42)
Proceeds of issuing shares to minority shareholders in UK Commercial Property Trust Limited		**73**	152
Proceeds of new borrowings		—	2,603
Ordinary share dividends paid		**(154)**	(93)
Coupon on perpetual reset capital securities paid		**(33)**	(14)
Dividends paid to minority interests		**(10)**	(13)
Purchase of own shares to settle share options		**(5)**	—
Repurchase of shares from minority shareholders		**(10)**	—
Purchase of minority interest preference shares		—	(87)
Repayment of deposits from reinsurers		**(39)**	—
Repayment of borrowings		**(820)**	(1,765)
Net cash flows from financing activities		**(995)**	2,291
Net increase in cash and cash equivalents		**1,111**	2,149
Cash and cash equivalents at the beginning of the year		**3,894**	1,745
Cash and cash equivalents at the end of the year	43	**5,005**	3,894

1. Financial information

The consolidated financial statements for the year ended 31 December 2007, set out on pages 53 to 136, were authorised by the board of directors on 28 April 2008 for issue. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union (EU).

In preparing the consolidated financial statements the Group has adopted IFRS 7 *Financial Instruments: Disclosures* and IAS 1 *Amendments — Capital Disclosures.* IFRS 7 has amended the disclosures relating to financial assets and liabilities and the amendments to IAS 1 bring the Group's capital disclosures into line with IFRS 7.

The International Accounting Standards Board has issued the following standards, amendments and interpretations which apply from the dates shown. The Group has decided not to adopt any of these standards, amendments or interpretations where early adoption is permitted. The impact of adopting them is not expected to have a material effect on the results of the Group.

- *IAS 1 Presentation of Financial Statements (Revised)* (2009). This revises and enhances the presentation of information in the financial statements.
- *IAS 23 Borrowing Costs (Revised)* (2009). This removes the existing option to recognise as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.
- *IAS 32 Financial Instruments:* Presentation and IAS 1 *Presentation of Financial Statements* (2009). Amendments relating to the recognition of puttable financial instruments and obligations arising on liquidation.
- *IFRS 2 Share-based Payment* (2009). This clarifies the definition of vesting conditions and the accounting treatment of cancellations.
- *IFRS 8 Operating Segments* (2009). This converges international and US reporting requirements relating to segmental information.
- *IFRS 3 Business Combinations (Revised)* (2010). This converges International and US reporting requirements relating to business combinations.
- *IAS 27 Consolidated and Separate Financial Statements (Revised)* (2010). This revises the accounting for non-controlling interests (currently minority interests) and the loss of control of subsidiaries.
- *IFRIC 11 IFRS 2 Group and Treasury share Transactions* (2008). This addresses whether certain transactions involving shares should be treated as equity-settled or cash-settled for accounting purposes, and accounting for share based payments within a group.
- *IFRIC 14 IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (2008). This addresses when refunds or reductions in future contributions should be regarded as available in accordance with IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability.

In addition, IFRIC 12 *Service Concession Arrangements* (2008) and IFRIC 13 *Customer Loyalty Programmes* (2009) have been issued but are not relevant to the Group.

2. Prior year adjustments

The consolidated balance sheet at 31 December 2006 has been adjusted by reclassifying £41 million between acquired in-force business, deferred tax, insurance contracts liabilities and unallocated surplus. This relates to the transfer on 31 December 2006 of the non-profit business within the with-profit fund of Century Life plc, a Group company, from the with-profit fund to the equity holders' funds. As a consequence, £9 million has been reclassified within the consolidated income statement for 2006 between net investment income and the change in insurance contract liabilities.

3. Segment analysis

Resolution plc comprises three segments — life, asset management and management services. The Group has negligible overseas operations.

The segment information disclosed below includes subsidiaries and businesses acquired from their respective acquisition dates. Inter-segment services are priced on an arm's length basis taking into account the risks borne by the provider. Income tax assets and liabilities are excluded from segment assets and liabilities in accordance with IAS 14 *Segment Reporting* and are shown under unallocated assets and liabilities.

Year ended 31 December 2007

	Life	Asset Management	Management Services	Eliminations	Total
	£m	£m	£m	£m	£m
Segment revenue					
Gross premiums written	**2,104**	—	—	—	**2,104**
Premiums ceded to reinsurers	**(330)**	—	—	—	**(330)**
Net premiums written	**1,774**	—	—	—	**1,774**
Fees and commissions — external	**78**	**72**			**150**
— internal	**16**	**20**	**314**	**(350)**	—
	94	**92**	**314**	**(350)**	**150**
Segment result before non-recurring items	**145**	**38**	**23**		**206**
Non-recurring items	**(37)**	—	**(39)**		**(76)**
Segment result	**108**	**38**	**(16)**		**130**
Corporate expenses					**(28)**
Corporate interest income					**32**
Corporate interest expense					**(45)**
Corporate non-recurring items					**(86)**
Income taxes — policyholders					**146**
— equity holders					**(14)**
Profit after tax attributable to equity holders					**135**

	Life	Asset Management	Management Services	Unallocated/ Corporate	Total
	£m	£m	£m	£m	£m
Other segment information					
Segment assets employed	**59,688**	**165**	**216**	**157**	**60,226**
Goodwill	**65**	**134**	**10**	**—**	**209**
Unallocated corporate assets	**—**	**—**	**—**	**778**	**778**
Consolidated total assets	**59,753**	**299**	**226**	**935**	**61,213**
Segment liabilities	**55,121**	**107**	**163**	**987**	**56,378**
Unallocated corporate liabilities	—	—	—	**236**	**236**
Consolidated total liabilities	**55,121**	**107**	**163**	**1,223**	**56,614**
Intangible assets acquired	**—**	**—**	**30**	**—**	**30**
Other capital expenditure	**—**	**—**	**4**	**—**	**4**
Amortisation of acquired in-force business	**(228)**	**—**	**—**	**—**	**(228)**
Other amortisation and depreciation	**(37)**	**(10)**	**(1)**	**—**	**(48)**
Non-cash movements in pension scheme surplus	**—**	**—**	**—**	**(1)**	**(1)**
Non-recurring items					
Break fee paid to Friends Provident plc	**—**	**—**	**—**	**(49)**	**(49)**
Other corporate transaction costs	**—**	**—**	**—**	**(28)**	**(28)**
Deferred consideration on transfer of Alba Life	**(12)**	**—**	**—**	**—**	**(12)**
Governance projects	**(7)**	**—**	**—**	**(9)**	**(16)**
Enhanced controllership costs	**(18)**	**—**	**—**	**—**	**(18)**
Capita outsourcing transition costs	**—**	**—**	**(12)**	**—**	**(12)**
Former Abbey life businesses integration costs	**—**	**—**	**(18)**	**—**	**(18)**
Britannic/RLG merger reorganisation costs	**—**	**—**	**(9)**	**—**	**(9)**

The non-recurring items shown above total £162 million as reported in the analysis of equity holders' attributable profit.

Year ended 31 December 2006

	Life	Asset Management	Management Services	Eliminations	Total
	£m	£m	£m	£m	£m
Segment revenue					
Gross premiums written	1,633	—	—	—	1,633
Premiums ceded to reinsurers	(151)	—	—	—	(151)
Net premiums written	1,482	—	—	—	1,482
Fees and commissions — external	63	29	12	—	104
— internal	—	50	424	(474)	—
	63	79	436	(474)	104
Segment result before non-recurring items	170	26	15		211
Non-recurring items	62	(2)	(20)		40
Segment result	232	24	(5)		251
Corporate expenses					(21)
Corporate interest income					27
Corporate interest expense					(32)
Corporate non-recurring item					257
Income taxes — policyholders					75
— equity holders					(26)
Profit after tax attributable to equity holders					531

	Life (Restated) £m	Asset Management £m	Management Services £m	Unallocated/ Corporate (Restated) £m	Total (Restated) £m
Other segment information					
Segment assets employed	64,216	114	141	59	64,530
Goodwill	65	134	10	—	209
Unallocated corporate assets	—	—	—	595	595
Consolidated total assets	64,281	248	151	654	65,334
Segment liabilities	58,390	47	279	1,151	59,867
Unallocated corporate liabilities	—	—	—	932	932
Consolidated total liabilities	58,390	47	279	2,083	60,799
Acquisition of in-force business	1,695	—	—	—	1,695
In-force business on transfer from with-profit funds	62	—	—	—	62
Other intangible assets acquired	112	27	2	—	141
Other capital expenditure	—	—	1	—	1
Amortisation of acquired in-force business	(265)	—	—	—	(265)
Other amortisation and depreciation	(28)	(7)	(5)	—	(40)
Non-cash movements in pension scheme surplus	—	—	—	(9)	(9)

	Life (Restated) £m	Asset Management £m	Management Services £m	Unallocated/ Corporate £m	Total (Restated) £m
Non-recurring items					
Profit on acquisition	—	—	—	257	257
Gain on transfers from the with-profit funds	47	—	—	—	47
Profit arising from the change in assumptions used for determining insurance contracts liabilities	535	—	—	—	535
Impairment of acquired in-force business and deferred acquisition costs — equity holders	(511)	—	—	—	(511)
Impairment of acquired in-force business and deferred acquisition costs — policyholders	(11)	—	—	—	(11)
Enhanced controllership costs	(7)	—	—	—	(7)
Former Abbey Life business integration costs	—	—	(3)	—	(3)
Fund merger costs (net)	(2)	—	—	—	(2)
Britannic/RLG merger reorganisation costs	—	**(2)**	(17)	—	(19)

The non-recurring items shown above, excluding the impairment of acquired in-force business and deferred acquisition costs attributable to policyholders of £11 million, total £297 million as reported in the analysis of equity holders' attributable profit.

4. New business (gross of reinsurance)

New business is shown for life assurance business which comprises insurance and investment contracts. The definition of new business includes new policies written through the retail and intermediary distribution channels and retained vesting retirement annuities written in non-profit funds. New regular premiums arise where the terms and conditions of a policy anticipate more than one premium being paid over its lifetime; new single premiums comprise all premiums which are not categorised as new regular premiums.

	Retail 2007 £m	Intermediary 2007 £m	Total 2007 £m	Total 2006 £m
Single				
Pension	107	133	240	79
Life and investments	226	148	374	348
	333	281	614	427
Regular				
Pension	6	—	6	3
Life and investments	10	38	48	25
	16	38	54	28
Total new business	349	319	668	455
Annual premium equivalent	49	66	115	71

Annual premium equivalent is calculated as 10% of new single premiums plus new annual premiums.

The comparatives for the year ended 31 December 2006 exclude internal vesting annuities of £42 million written in Britannic Assurance.

5. Fees and commissions

	2007 £m	2006 £m
Fund management based fees	**82**	29
Other fees	**59**	68
Commissions	**9**	7
	150	104

6. Net investment income

	2007 £m	2006 (Restated) £m
Investment income		
Interest income on loans and deposits	**254**	147
Interest income on financial assets designated at fair value through profit and loss on initial recognition	**1,805**	1,527
Dividends	**404**	482
Rental income	**145**	110
	2,608	2,266
Fair value gains/(losses)		
Financial assets at fair value through profit and loss		
Held for trading — derivatives	**(179)**	(22)
Designated upon initial recognition	**232**	784
Investment property	**(296)**	216
	(243)	978
	2,365	3,244

In the analysis of equity holders' attributable profit the operating profit attributable to equity holders based on a long term rate of investment return has been calculated by applying the longer term rates of return to the opening equity holder invested assets adjusted for capital movements in the year, excluding investments in subsidiaries.

The longer term rate of return has been determined with regard to historical rates of return and future economic and investment return expectations. The principal assumptions underlying the calculation of the longer term investment return are 7.8% (2006: 6.6%) gross return on equity investments and 5.8% (2006: 4.1%) gross return on fixed interest investments.

7. Other operating income

	2007 £m	2006 £m
Excess of the Group's interest in the fair value of the net assets of Abbey's life businesses over cost	**—**	257
Gains arising on the transfer of Alba Life Holdings Limited and its subsidiaries and on the non-profit business of Century Life from the with-profit funds to the equity holders' funds	**—**	48
Other income	**9**	8
	9	313

8. Acquisition costs

	2007 £m	2006 £m
Acquisition costs paid	**97**	69
Amortisation of deferred acquisition costs	**15**	20
	112	89

9. Employee costs

	2007 £m	2006 £m
Wages and salaries including termination benefits	**161**	91
Social security contributions	**13**	9
Other pension costs	**7**	15
	181	115

	2007	2006
Average number of persons employed during the year		
Sales and distribution	**113**	103
Customer servicing	**1,429**	1,228
Investment, finance and administrative	**1,257**	1,276
	2,799	2,607

10. Auditors' remuneration

The remuneration of the auditors of the Company, including their associates, in respect of services supplied to entities included in the consolidated financial statements is as follows. No services were provided to associated pension schemes.

	2007 £m	2006 £m
Audit of the consolidated and Company financial statements	**0.5**	0.4
The auditing of accounts of associates of the Company pursuant to legislation	**3.9**	2.6
Other services supplied pursuant to such legislation:		
Audit related	**1.4**	1.2
Services as reporting accountants	**1.0**	1.2
Taxation	—	0.4
Corporate finance transactions	**1.7**	2.4
Other services:		
Audit of EEV supplementary information	**0.5**	0.7
Other	**0.7**	0.5
	9.7	9.4

The total remuneration of the auditors of the Company for audit and audit related services provided to the Company and its subsidiaries amounted to £6.3 million (2006: £4.9 million). The remuneration in respect of corporate finance transactions in 2007 mainly comprised work undertaken on the proposed merger between the

Company and Friends Provident plc and the offers for the Company from Standard Life plc and the Pearl Group.

11. Other operating expenses

	2007 £m	2006 £m
Break fee paid to Friends Provident plc	**49**	—
Other corporate transaction costs	**28**	—
Deferred consideration paid to the with-profit funds on the transfer of Alba Life to the equity holders' funds	**12**	—
	89	—

The ownership of Alba Life Holdings Limited and its subsidiaries was transferred from the with-profit funds to the equity holders' funds at the beginning of 2006. The sale and purchase agreement included a provision for deferred consideration to be paid of up to £20 million, payable on 31 March 2008, based on the extent to which certain existing provisions were not required. A provision of £10 million was made in 2006 in respect of the latter amount, representing the best estimate at that time of the amount of deferred consideration that would become payable. This has now been determined at the maximum amount of £20 million and, accordingly, a provision has been made in the financial statements for 2007 for the additional amount payable of £10 million plus interest.

12. Financing costs

	2007 £m	2006 £m
Interest expense	**123**	89
Other financing costs	**2**	5
	125	94
Attributable to — policyholders	**80**	62
— equity holders	**45**	32
	125	94

Coupons paid on the perpetual reset capital securities are charged to the statement of changes in equity.

13. Income taxes

(a) Current year tax charge

	2007 £m	2006 £m
Current tax:		
UK Corporation tax	**16**	97
Overseas tax	**3**	10
	19	107
Adjustment in respect of prior years	**(19)**	(2)
	—	105
Deferred tax:		
Reversal/(origination) of temporary differences		
On non-profit surpluses	**(15)**	(36)
On amortisation of acquired in-force business	**(61)**	(85)
On profit arising from the changes in assumptions used for determining insurance liabilities in accordance with PS 06/14	**(57)**	91
On impairment of acquired in-force business and deferred acquisition costs	**—**	(83)
On provisions for future expenditure	**7**	—
Utilisation of tax losses	**53**	—
Other	**28**	(11)
Adjustment relating to change of rate from 30% to 28%	**(27)**	—
Fund merger benefits	**—**	(29)
Recognition of previously unrecognised tax loss	**(33)**	(1)
Write down of deferred tax assets	**22**	—
Tax losses arising in the current year carried forward	**(49)**	—
	(132)	(154)
Total income tax credit	**(132)**	(49)
Attributable to — policyholders	**(146)**	(75)
— equity holders	**14**	26
	(132)	(49)

Unrecognised tax losses of previous years have been used to reduce current tax expense by £nil (2006: £nil) and deferred tax by £33 million (2006: £1 million). The Group, as a proxy for policyholders in the UK, is required to pay taxes on investment income and gains each year. Accordingly, the tax benefit or expense attributable to UK life insurance policyholder earnings is included in income tax expense. The tax benefit attributable to policyholder earnings was £146 million (2006: £75 million). The adjustment relating to the change in the rate of tax from 30% to 28% relates to deferred tax on temporary differences which will now reverse at a lower effective rate than originally provided due to the reduction in the mainstream corporation tax rate with effect from 1 April 2008.

(b) Tax charged/(credited) to statement of recognised income and expense

	2007 £m	2006 £m
Current tax	**(3)**	(2)
Deferred tax	**5**	(2)
	2	(4)

The current tax credit comprises tax relief relating to share options.

(c) Reconciliation of tax credit

	2007 £m	2006 £m
Profit before tax	**3**	482
Policyholder tax	**146**	75
Profit after policyholder tax	**149**	557
Tax at standard UK rate (30)%	**45**	167
Profit on acquisition of Abbey's life businesses not subject to tax	**—**	(77)
Gain on transfers from with-profit funds not subject to tax	**—**	(14)
Untaxed income	**(3)**	(15)
Disallowable expenses	**35**	6
Adjustment to tax charge in respect of prior years	**(19)**	(2)
Recognition of losses/tax assets not previously valued	**(31)**	(85)
(Decrease)/Increase in deferred tax on movement in non-profit surplus	**(44)**	20
Impact of tax on acquired in-force amortisation at less than 30%	**12**	13
Write down of deferred tax assets	**22**	—
Adjustment relating to the change of rate from 30% to 28%	**(27)**	—
Other	**24**	13
Equity holders' tax	**14**	26
Policyholder tax	**(146)**	(75)
Total tax credit for the year	**(132)**	(49)

14. Earnings per share

The profit attributable to ordinary shareholders for the purposes of computing earnings per share has been calculated as set out below. This is after adjusting for preference share dividends paid in the year, losses/(profits) attributable to other minority interests and the coupon paid in the year on the perpetual reset capital securities.

	2007 £m	2006 £m
Profit for the year attributable to equity holders	**135**	531
Dividends paid on minority interest preference shares	**—**	(5)
Losses/(profits) attributable to other minority interests	**13**	(2)
Coupon paid on perpetual reset capital securities	**(33)**	(14)
	115	510

The basic earnings per share of 16.8p (2006: 97.8p) has been based on the profit of £115 million (2006: £510 million) and a weighted average number of ordinary shares outstanding during the year of 685,811,605 (2006: 521,720,524), calculated as follows:

	2007 No.	2006 No.
Issued ordinary shares at beginning of the year	**685,161,830**	361,088,494
Effect of ordinary shares issued	**649,775**	127,507,657
Effect of bonus element of rights issue	**—**	33,124,373
Weighted average number of ordinary shares	**685,811,605**	521,720,524

The diluted earnings per share of 16.7p (2006: 97.3p) has been based on the profit of £115 million (2006: £510 million) and a diluted weighted average number of ordinary shares outstanding during the year of 688,809,922 (2006: 524,085,976) calculated as follows:

	2007 No.	2006 No.
Weighted average number of ordinary shares	**685,811,605**	521,720,524
Effect of ordinary share options in issue	**2,998,317**	2,365,452
Weighted average number of ordinary shares (diluted)	**688,809,922**	524,085,976

The bonus element in 2006 is calculated by reference to the closing share price immediately prior to the date that the ordinary shares became ex-rights of 654.5p per ordinary share and the additional 322.4 million new ordinary shares issued at 480.0p per ordinary share.

15. Statement of changes in equity

	Share Capital (Note 16)	Share Premium	Perpetual Reset Capital Securities (note 18)	Reserves (Note 19)	Retained Earnings (Note 20)	Minority Interests (Note 21)	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2007	**34**	**1,534**	**497**	**1,048**	**1,268**	**154**	**4,535**
Total recognised income and expense for the year attributable to equity holders	**—**	**—**	**—**	**6**	**194**	**(13)**	**187**
Dividends on ordinary shares	**—**	**—**	**—**	**—**	**(154)**	**—**	**(154)**

	Share Capital (Note 16)	Share Premium	Perpetual Reset Capital Securities (note 18)	Reserves (Note 19)	Retained Earnings (Note 20)	Minority Interests (Note 21)	Total
	£m	£m	£m	£m	£m	£m	£m
Coupon paid on perpetual reset capital securities, net of tax relief	—	—	—	—	(23)	—	(23)
Dividends paid to minority interests	—	—	—	—	—	(10)	(10)
	34	1,534	497	1,054	1,285	131	4,535
Issue of ordinary share capital — share option schemes	—	3	—	(3)	3	—	3
Issue of ordinary shares to minority shareholders in UK Commercial Property Trust Limited	—	—	—	—	—	73	73
Equity share options issued	—	—	—	5	—	—	5
Purchase of own shares to settle share options	—	—	—	—	(5)	—	(5)
Repurchase of shares from minority shareholders in UK Commercial Property Trust Limited	—	—	—	—	—	(10)	(10)
Adjustment to interest in net assets of UK Commercial Property Trust Limited	—	—	—	—	—	(2)	(2)
At 31 December 2007	34	1,537	497	1,056	1,283	192	4,599
At 1 January 2006	18	43	497	1,045	834	108	2,545
Total recognised income and expense for the year attributable to equity holders	—	—	—	1	528	2	531
Dividends on ordinary shares	—	—	—	—	(93)	—	(93)
Coupon paid on perpetual reset capital securities, net of tax relief	—	—	—	—	(10)	—	(10)
Dividends on preference shares	—	—	—	—	(5)	(8)	(13)
	18	43	497	1,046	1,254	102	2,960
Issue of ordinary share capital — rights issue	16	1,531	—	—	—	—	1,547
Issue of ordinary share capital — share option schemes	—	2	—	(1)	1	—	2
Issue of ordinary shares to minority shareholders in UK Commercial Property Trust Limited	—	—	—	—	—	152	152
Issue costs	—	(42)	—	—	—	—	(42)
Equity share options issued	—	—	—	3	—	—	3
Purchase of minority interest preference shares	—	—	—	—	—	(87)	(87)
Gain on purchase of minority interest preference shares	—	—	—	—	13	(13)	—
At 31 December 2006	34	1,534	497	1,048	1,268	154	4,535

16. Share capital

	2007 £m	2006 £m
Authorised: 1,000 million (2006: 1,000 million) ordinary shares of 5p each	**50**	50
Issued and fully paid: 686 million (2006: 685 million) ordinary shares of 5p each	**34**	34

	2007 Million	2006 Million
Shares in issue at 1 January	**685**	361
Shares issued through rights issue	**—**	322
Shares issued under share option schemes	**1**	2
Shares in issue at 31 December	**686**	685

Ordinary shareholders of the Company are entitled:

- To attend general meetings of the Company and to vote at such meetings. Ordinary shareholders have one vote on a show of hands if present at a general meeting or, if a poll is called, one vote for each share held.
- To receive a copy of the annual accounts, auditors' report, directors' report and any accompanying reports of the Company not less than 21 days before the date of the annual general meeting.
- To receive dividends, including interim dividends declared by the Board, except where shares are issued on terms providing that they will rank for dividend as from a particular date. The Company may not declare, pay or distribute a dividend on the ordinary shares or redeem, purchase or otherwise acquire its ordinary shares for so long as a deferred coupon payment of the perpetual reset capital securities has not been satisfied.

Where an ordinary shareholder has not been traced for a period of twelve years the Company is entitled to sell the shares of that member. The proceeds of sale are retained by the Company and the amount is held as a debt due to the former member of the Company. No interest accrues on the debt.

17. Share options

The share-based payment arrangements in existence during the year are set out below.

For share options granted before 7 November 2002, the recognition and measurement principles of IFRS 2 *Share-based Payment* have not been applied, as permitted by the transitional provisions in IFRS 1.

The weighted average share price of the Company in 2007 amounted to 659.5p (2006: 635.6p).

The total expense for the year arising from share-based payment transactions was £5 million (2006: £3 million), all of which relates to equity-settled share-based payments.

The share option equity reserve at 31 December 2007 was £6 million (2006: £5 million).

(a) Save As You Earn scheme (SAYE)

The SAYE scheme allows participating employees to save up to £250 each month over a period of three or five years. Employees are eligible to participate in a SAYE arrangement if they have been employed by the Group 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 the Group's employment at the end of the three year or five year savings period are entitled to use their savings to purchase shares of the Company at the

option price. Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their leaving.

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

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	
			2007	2006
April 2001	June 2006	662.90	—	608
April 2002	June 2007	477.50	—	22,352
April 2003	June 2008	107.57	**427,791**	773,013
April 2004	June 2007	246.62	—	259,612
April 2004	June 2009	246.62	**64,033**	135,376
April 2005	June 2008	342.82	**102,169**	181,811
April 2005	June 2010	342.82	**62,616**	87,303
May 2006	June 2009	454.76	**269,625**	435,548
May 2006	June 2011	454.76	**90,738**	142,177
May 2007	June 2010	515.00	**392,565**	—
May 2007	June 2012	515.00	**266,521**	—
			1,676,058	2,037,800

For options outstanding as at 31 December 2007 the charge to the income statement has been recognised in accordance with IFRS 2 as all options were granted after 7 November 2002. For 2006, options over 22,960 shares were not recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002.

The options outstanding at 31 December 2007 have a weighted average remaining contractual life of 2.46 years (2006: 2.36 years).

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

	2007 No	2007 WAEP (pence)	2006 No	2006 WAEP (pence)
Outstanding as at 1 January	**2,037,800**	**268.25**	2,720,692	178.75
Effect of rights issue during the year	—	—	271,366	268.08
Granted during the year	**1,175,539**	**515.00**	525,916	454.76
Forfeited during the year	**(705,069)**	**446.63**	(127,431)	251.36
Exercised during the year	**(725,347)**	**220.96**	(1,333,500)	109.85
Expired during the year	**(106,865)**	**413.52**	(19,243)	628.20
Outstanding at 31 December	**1,676,058**	**370.88**	2,037,800	268.25
Exercisable at 31 December	**94,693**	**450.00**	32,280	259.92

For share options granted under the SAYE scheme, the fair value estimated as at the grant date ranged from £0.27 to £1.87 per option (2006 — £0.27 to £1.75). The weighted average fair value of options granted during the year was £1.84 (2006 — £1.73).

This fair value has been estimated using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The following information was used in the binomial option pricing model in respect of options granted in the years ended 31 December 2007 and 31 December 2006.

	2007	2006
Dividend yield (%)	**4.5**	4.5
Expected share price volatility (%)	**25.0**	25.0
Historical volatility (%)	**22.8**	25.3
Risk-free interest rate (%)	**5.4**	4.8
Expected life of option (years)	**3.3-5.3**	3.3-5.3
Exercise price (pence)	**515.0**	454.8
Forfeiture per annum range (%)	**8.7-13.3**	0.4-7.6

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be the actual outcome. No other features were incorporated into the measurement of fair value.

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2007 amounted to £0.6 million (2006: £0.4 million) for SAYE schemes.

(b) Executive Share Option Scheme (ESOS)

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.

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 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 2006.

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.

All options are equity-settled; there is no cash settlement alternative.

Options outstanding under the ESOS schemes as at 31 December 2007:

Grant Date	Exercise Period Ordinarily Within Seven Years From	Exercise Price (Pence) (Adjusted)	Number of 5p Ordinary Shares 2007	Number of 5p Ordinary Shares 2006
March 1999	March 2002	903	**16,005**	16,005
March 2000	March 2003	655	**14,861**	26,048
September 2002	September 2005	319	**6,230**	17,435
March 2003	March 2006	135	**9,204**	38,132
April 2003	April 2006	134	—	22,420
April 2003	April 2006	138	—	185,723
September 2003	September 2006	267	**10,346**	44,645
December 2003	December 2006	250	—	12,036
December 2003	December 2006	252	—	29,777
March 2004	March 2007	308	**22,401**	189,450
September 2004	September 2007	335	**12,576**	64,537
September 2004	September 2007	340	**21,323**	70,812
April 2005	April 2008	416	**118,190**	126,664
October 2005	October 2008	527	**117,458**	126,361
			348,594	970,045

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.

	2007 No	2007 WAEP (pence)	2006 No	2006 WAEP (pence)
Outstanding as at 1 January	**970,045**	**325.82**	1,299,839	322.95
Effect of rights issue during the year	–	—	143,069	325.88
Forfeited during the year	–	—	(77,764)	(341.64)
Exercised during the year	**(586,371)**	**(231.15)**	(382,207)	(191.53)
Expired during the year	**(35,080)**	**(283.43)**	(12,892)	(718.45)
Outstanding at 31 December	**348,594**	**382.04**	970,045	325.82
Exercisable at 31 December	**82,080**	**155.35**	350,168	175.81

Included in the above are options over 37,096 (2006 — 59,488) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. Except for the effect of the rights issue that occurred in 2006 described above these options have not been subsequently modified; therefore, they do not need to be accounted for in accordance with IFRS 2.

For the share options outstanding as at 31 December 2007, the weighted average remaining contractual life is 6.67 years (2006: 7.13 years).

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2007 is £0.1 million (2006: £0.2 million) under executive share options.

(c) Long Term Incentive Plan (LTIP)

Under the Resolution 2002 LTIP and the Resolution 2005 LTIP, share options are granted to directors and senior management. Both are 'nil cost[1] and have a vesting period of three years, both being subject to performance criteria being met.

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

The number of shares under option is 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 are 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 are exercisable from the third anniversary subject to total shareholder return (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 are 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 have 50% of the awards based on TSR and 50% based on adjusted embedded value (EV). The TSR measure is 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 will 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 is 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 will 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 will 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 may be offered; however, no obligation to settle in cash existed at the balance sheet date.

Options outstanding under the LTIP schemes as at 31 December:

Exercise Period Ordinarily Within 1 Year From	Option Price (Pence)	Number of 5p Ordinary Shares 2007	Number of 5p Ordinary Shares 2006
April 2006	nil	—	212,998
December 2006	nil	—	42,127
April 2007	nil	—	350,609
April 2008	nil	**90,273**	318,967
September 2008	nil	**374,905**	537,286
October 2008	nil	**74,981**	74,981
April 2009	nil	**711,611**	912,900
April 2009	nil	**9,055**	9,055
October 2009	nil	**12,096**	12,096
April 2010	nil	**1,219,449**	—
Total		**2,492,370**	2,471,019

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.

	2007 No	2006 No
Outstanding as at 1 January	**2,471,019**	1,537,286
Effect of rights issue during the year	—	192,843
Granted during the year	**1,300,457**	934,051
Forfeited during the year	—	(138,941)
Exercised during the year	**(745,310)**	(54,220)
Expired during the year	**(533,796)**	—
Outstanding at 31 December	**2,492,370**	2,471,019
Exercisable at 31 December	—	255,125

For the share options outstanding as at 31 December 2007, the weighted average remaining contractual life is 2.15 years (2006: 1.95 years).

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.

The estimated fair value of each share option granted in the LTIP schemes ranges from £0.72 to £6.50 (2006 -adjusted: £1.26 to £4.77). The following table lists the inputs to the model used in respect of options

granted in the years ended 31 December 2007 and 31 December 2006. In addition, the share price of other members of the comparator group is a key input.

	2007	2006
Dividend yield (%)	**n/a**	n/a
Expected share price volatility(%)	**25.0**	25.0
Historical volatility (%)	**22.8**	25.3
Risk-free interest rate (%)	**5.4**	4.5-5.0
Expected life of option (years)	**3.0**	3.0
Forfeiture per annum range (%)	**0.0-1.0**	0-7.6

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be the actual outcome. No other features were incorporated into the measurement of fair value. The weighted average fair value of options granted during the year was £4.97 (2006: £4.21).

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2007 amounted to £4.4 million (2006: £1.9 million) under LTIPs.

(d) Share matching plan (SMP)

The SMP is 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 pledge shares in Resolution plc ('investment shares'), which they hold for the duration of the vesting period. For each investment share that is held for the entirety of the vesting period, the participant receives a matching award of shares in Resolution plc. If the employee sells any of their investment shares during the vesting period then the corresponding matching shares will lapse.

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

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2007 amounted to £0.1 million (2006: less than £0.1 million) under the share matching plan.

18. Perpetual reset capital securities

	2007 £m	2006 £m
At 1 January and 31 December	**497**	497

The Company has in issue £500 million of Perpetual Reset Capital Securities ('the Notes') 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 £497 million.

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 and also, in respect of coupon payments, having sufficient distributable reserves.

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.

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, commencing in 2006, 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, the deferred coupon payment may only be satisfied by the issue of ordinary shares in the Company. For so long as a deferred coupon payment has not been satisfied the Company may not declare, pay or distribute a dividend on its securities in issue ranking junior to the Notes, including the ordinary shares 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.

19. Reserves

	Share Options Reserve	Foreign Currency Translation Reserve	Merger Reserve	Total
	£m	£m	£m	£m
At 1 January 2007	**5**	—	**1,043**	**1,048**
Allocation from total recognised income and expense for the year attributable to equity holders	**(1)**	**7**	—	**6**
Issue of ordinary share capital	(3)	—	—	**(3)**
Equity share options issued	5	—	—	**5**
At 31 December 2007	6	**7**	**1,043**	**1,056**

	Share Options Reserve	Foreign Currency Translation Reserve	Merger Reserve	Total
	£m	£m	£m	£m
At 1 January 2006	2	—	1,043	1,045
Allocation from total recognised income and expense for the year attributable to equity holders	1	—	—	1
Issue of ordinary share capital	**(1)**	—	—	**(1)**
Equity share options issued	3	—	—	3
At 31 December 2006	5	—	1,043	1,048

The share options reserve comprises the cumulative fair value charges made to the income statement in respect of share options granted and still outstanding.

The merger reserve is the difference between the fair value and the nominal value of the shares issued on 6 September 2005 in consideration for the acquisition of Resolution Life Group Limited.

20. Retained earnings

	Held Within the Long Term Business	Other Retained Earnings	Total
	£m	£m	£m
At 1 January 2007	**525**	**743**	**1,268**
Allocation from total recognised income and expense for the year attributable to equity holders	**(63)**	**257**	**194**
Transfers	**(34)**	**34**	**—**
	428	**1,034**	**1,462**
Dividends on ordinary shares	**—**	**(154)**	**(154)**
Coupon paid on perpetual reset capital securities, net of tax relief	**—**	**(23)**	**(23)**
	428	**857**	**1,285**
Issue of ordinary share capital — share option schemes	**—**	**3**	**3**
Purchase of own shares to settle share options	**—**	**(5)**	**(5)**
At 31 December 2007	**428**	**855**	**1,283**

Dividends on ordinary shares comprise the final dividend for 2006 of £91 million and the interim dividend for 2007 of £63 million.

	Held within the long term business	Other retained Earnings	Total
	£m	£m (Restated)	£m (Restated)
At 1 January 2006	471	363	834
Allocation from total recognised income and expense for the year attributable to equity holders	456	72	528
Transfers	(402)	402	—
	525	837	1,362
Dividends on ordinary shares	—	(93)	(93)
Coupon paid on perpetual reset capital securities, net of tax relief	—	(10)	(10)
Dividends on preference shares	—	(5)	(5)
	525	729	1,254
Issue of ordinary share capital — share option schemes	—	1	1
Gain on purchase of minority interest preference shares	—	13	13
At 31 December 2006	525	743	1,268

Dividends on ordinary shares comprise the second interim dividend for 2005 of £48 million and the interim dividend for 2006 of £45 million.

Retained earnings held within the long term business comprise the equity holders' post-acquisition interests in the long term business. Other retained earnings comprises the aggregate of the post-acquisition retained earnings of subsidiary undertakings and the retained earnings of the Company. Distribution of the

retained earnings held within the long term business funds and surplus assets held within the shareholders' funds of the life companies is subject to retaining sufficient funds to protect policyholder interests.

21. Minority interests

UK Commercial Property Trust Limited

	2007 £m	2006 £m
At 1 January	**154**	**—**
Change in equity attributable to minority interests (Loss)/profit after tax for the year	**(13)**	2
Dividends paid	**(10)**	**—**
Shares subscribed for by minority interests	**73**	152
Repurchase of shares from minority interests	**(10)**	**—**
Adjustment to interest in net assets	**(2)**	**—**
At 31 December	**192**	154

UK Commercial Property Trust Limited (UKCPT) is a property investment subsidiary which is domiciled in Guernsey and listed on the London Stock Exchange.

On 28 February 2007 the company issued 350 million shares at £1.03 pence per share. 97 million shares were allocated to the minority shareholders in the company, of which 70 million were subscribed for with the remainder being taken up by Group companies.

In the period from 2 October to 27 November 2007 UKCPT repurchased 12,873,713 shares at an average price of 79.6p,for a total consideration of £10 million. All of these were purchased from the minority shareholders, resulting in the minority shareholders' interest in the company decreasing from 25.2% to 24.1%. The repurchased shares are held in treasury and may be reissued by UKCPT.

22. Insurance contracts liabilities

	Gross liabilities 2007 £m	Reinsurers' share 2007 £m
Life assurance business:		
Insurance contracts	**34,310**	**2,968**
Investment contracts with DPF	**8,614**	**—**
	42,924	**2,968**
General insurance business:		
Outstanding claims provision	**244**	**244**
	43,168	**3,212**
Amount due for settlement/recovery after 12 months	**38,699**	**2,634**

	Gross Liabilities 2006	Reinsurers' Share 2006
	£m (Restated)	£m
Life assurance business:		
Insurance contracts	34,951	3,058
Investment contracts with DPF	10,716	—
	45,667	3,058
General insurance business:		
Outstanding claims provision	140	140
	45,807	3,198
Amount due for settlement/recovery after 12 months	41,939	2,861

	Gross Liabilities 2007	Reinsurers' Share 2007
	£m	£m
At 1 January 2007	**45,807**	**3,198**
Premiums	**2,104**	**330**
Claims	**(5,692)**	**(326)**
Other changes in liabilities	**901**	**10**
Foreign exchange adjustments	**89**	**—**
Transfer to statement of recognised income and expense in respect of actuarial losses of defined benefit pension scheme	**(41)**	**—**
As at 31 December 2007	**43,168**	**3,212**

	Gross Liabilities 2006	Reinsurers' Share 2006
	£m (Restated)	£m
At 1 January 2006	30,371	3,703
Acquisitions through business combinations	18,582	1,225
Premiums	1,633	151
Claims	(4,709)	(369)
Other changes in liabilities	(39)	(1,513)
Foreign exchange adjustments	(31)	1
As at 31 December 2006	45,807	3,198

The general insurance business is written by a subsidiary undertaking that was previously a subsidiary undertaking of Royal & Sun Alliance Insurance Group plc (RSA). The Group has in place a fall back perpetual reinsurance arrangement under which the full economic burden and benefit of the business rests with RSA. In addition, RSA has agreed to indemnify the Group against any general insurance liabilities which are not otherwise covered by the reinsurance treaty. This indemnity is unlimited as to time and amount.

In common with others in the life assurance business, the Group has experienced a number of complaints in respect of mortgage endowment business. A provision for the estimated redress has been established within

liabilities under insurance contracts. The ultimate cost may be greater or smaller than the amount provided and is dependent on the level of complaints, any change in regulatory or legal judgments, and the period over which the policies were written.

The movement in the provision is as follows:

	2007 £m	2006 £m
At 1 January	**76**	177
Adjustments to provisions made in the year	**(36)**	(67)
Compensation paid	**(13)**	(34)
At 31 December	**27**	76

£15 million of the provision at 31 December 2007 (2006: £45 million) is held in the with-profit funds.

23. Unallocated surplus

	2007 £m	2006 £m
At 1 January	**702**	847
Acquisitions through business combinations	**—**	233
Foreign exchange adjustment	**6**	1
Transfer to income statement	**(2)**	(379)
Transfer to statement of recognised income and expense in respect of actuarial losses of defined benefit pension scheme	**(3)**	—
At 31 December	**703**	702

24. Provisions

	Restructuring £m	Redundancy £m	Long term Incentive Plan £m	Pension Mis-Selling £m	Other £m	Total £m
At 1 January 2007	**17**	—	5	13	30	65
Additions in the year	**2**	11	3	—	17	33
Utilised during the year	**(1)**	—	(1)	—	(8)	(10)
Released during the year	**—**	—	—	(12)	(7)	(19)
At 31 December 2007	**18**	11	7	1	32	69

The amount due for settlement after 12 months is £29 million (2006: £30 million).

The provision for redundancy costs relates to staff that have been transferred under the outsourcing contract with Capita Group plc.

The long term incentive plan provision represents the estimated benefits accruing to members of the plan as per an independent valuation at the end of June 2007. The scheme membership is made up of senior employees of the asset management business. There are two plans. The seven year plan provides entitlements to payments on the third anniversary of entry to the scheme with further entitlement due, in certain cases, in each of the subsequent four years. The three year plan matures after three years, with members being entitled to cash payments. Both plans provide for the ability to retain benefits beyond the seven and three year periods respectively.

The other provisions of £32 million include litigation, closed property and onerous contract provisions.

25. Investment contracts liabilities

	2007 Gross Liabilities	2007 Reinsurers' Share
	£m	£m
Amount due for settlement/recovery after 12 months	**8,099**	—

	2006 Gross Liabilities	2006 Reinsurers' Share
	£m	£m
Amount due for settlement/recovery after 12 months	8,833	—

26. Insurance and investment contracts liabilities — assumptions and sensitivities

(a) Assumptions

Process used to determine assumptions

For participating business in realistic basis companies the demographic assumptions about future experience are intended to be "best estimates". They are determined after considering the companies' recent experience and/or relevant industry data. Economic assumptions are market consistent.

For other business, demographic assumptions are derived by adding a prudent margin to best estimate assumptions. Economic assumptions are prudent estimates of the returns expected to be achieved on the assets backing the liabilities.

During 2007 a number of changes were made to assumptions to reflect changes in expected experience or to harmonise the approach across the enlarged Group. The impact of material changes during the year was as follows:

	Increase/(Decrease) in insurance Liabilities
	£m
Strengthening of annuity mortality assumptions	**139**
Change to expense assumptions	**21**
Weakening of morbidity assumptions	**(47)**
Weakening of mortality assumptions	**(12)**
Changes to assumed future persistency	**(9)**

Valuation interest rate

For realistic basis companies the liabilities are determined stochastically using an appropriate number of risk neutral scenarios produced by a proprietary economic scenario generator calibrated to market conditions and gilt yields as at the valuation date.

For funds not subject to realistic reporting, the method used to determine valuation interest rates generally follows the regulations set out in Section 7.3 of the Prudential Sourcebook.

Assets are firstly hypothecated to classes of business being valued. The valuation interest rates for each block of business are based on the expected returns of the hypothecated assets. The yield is then adjusted to make allowance for credit risk, reinvestment risk and investment management expenses.

Valuation interest rates (after tax for life policies) are typically in the following ranges:

Life policies	0.9% to 4.2%
Pension policies	1.0% to 5.2%

Investment contracts with discretionary participation features are not measured at fair value as there is currently no agreed definition of fair value for discretionary participation features under IFRS.

Expense inflation

For all companies other than Scottish Provident International, expenses are assumed to increase at the rate of increase in the RPI plus a fixed margin in accordance with the management service agreements (MSAs) that the companies have in place with outsourced service providers. For Scottish Provident International, expenses are assumed to increase at the rate of increase in the RPI plus 1%.

For realistic basis companies the rate of RPI inflation is determined within each stochastic scenario. For other companies it is based on the difference between the yields on long dated fixed interest gilts and long dated inflation linked gilts (2007: 3.5%). For MSAs with contractual increases set by reference to National Average Earnings inflation, this is approximated as RPI inflation plus 1%. In instances in which inflation risk is not mitigated, a further margin for adverse deviations is then added to the rate of expense inflation.

Mortality and longevity rates

Mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, company experience and forecast changes in future mortality. Where appropriate, a margin is added to assurance mortality rates to allow for adverse future deviations. Annuitant mortality rates are adjusted to make allowance for future improvements in pensioner longevity.

Lapse and surrender rates (persistency)

The assumed rates for surrender and voluntary premium discontinuance depend on the length of time a policy has been in force and the relevant company. Surrender or voluntary premium discontinuances are only assumed for realistic basis companies. Withdrawal rates used in the valuation of with-profit policies are based on observed experience and adjusted when it is considered that future policyholder behaviour will be influenced by different considerations than in the past. In particular, it is assumed that withdrawal rates for unitised with-profit contracts will be higher on policy anniversaries on which Market Value Adjustments do not apply.

Discretionary participating bonus rates

For realistic basis companies, the regular bonus rates assumed in each scenario are determined in accordance with each company's Principles and Practices of Financial Management (PPFM). Final bonuses are assumed at a level such that maturity payments will equal asset shares subject to smoothing rules set out in the PPFM. For non realistic basis companies, some provision is made for future bonuses.

(b) Sensitivities

The tables below indicate the stand alone impact of certain key assumption changes to insurance and investment contracts.

Fluctuations in with-profit business are taken to unallocated surplus and have no direct impact on profit or equity holders' funds. Consequently these do not feature in the table below.

	Change in Assumption %	Impact on Profit Before Equity Holders' Tax	Impact on Equity Holders' Funds
		£m	£m
Fixed interest yield assumptions	(1%)	40	29
Fixed interest yield assumptions	+1%	(40)	(29)
Equity and property values	(10%)	(18)	(13)
Mortality assumptions for annuities	(5%)	7	5
Mortality assumptions for assurances	(5%)	(38)	(28)

In reality, given the correlation between the assumptions, it is not often possible to demonstrate the effect of key assumptions whilst other assumptions remain unchanged. It should also be noted that in some instances these sensitivities are non-linear.

27. Group capital management

The Group's policy is to maintain a strong and flexible capital base so as to retain a strong credit rating and satisfy regulators whilst still creating shareholder and policyholder value. The Group's capital management policies include a number of key performance indicators, details of which are set out on page 13.

The Individual Capital Assessment (ICA) process, as explained in note 51 1(c), estimates the level of capital the Group should retain to ensure that there is only an extremely small risk the Group will be unable to meet its liabilities. Although the ICA is an internal process, the FSA may use ICA information in discussing the target capital levels it believes the Group should have available. Group capital adequacy requirements are set out in the Insurance Group's Directive and are a further measure of the Group's overall capital position. The total Group capital resources per the Insurance Groups Directive is £6.3 billion (2006: £6.7 billion). At 31 December 2007 the surplus of Group capital resources over the Group capital resource requirement was £1.2 billion (2006: £1.4 billion).

The Group capital position is monitored by the Group Capital Management committee. The committee monitors the Group capital composition and position against the Group targets which are regularly reviewed to ensure that they remain appropriate to maximise value for policyholders and shareholders. The level of required capital of the Group is the greater of:

- the amount of capital required to meet regulatory capital adequacy requirements;
- the capital required under the Group's capital management policy (ICA); and
- the commitments made to credit rating agencies.

There have been no material changes in the Group's management of capital during the year.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

The capital position and requirements of the UK life assurance businesses are set out in more detail in note 28.

28. Capital statement

Set out below is a statement of the Group's capital resources related to life assurance business at 31 December 2007. This information is presented for each of the Group's major UK with-profit funds (WPF),

namely Scottish Mutual Assurance Limited (SMA), Scottish Provident Limited (SPL), Phoenix & London Assurance Limited (PALAL) and Phoenix Life Limited (PLL).

(a) Capital statement

31 December 2007

	SMA WPF	SPL WPF	PALAL WPF	PLL Phoenix WPF	PLL Britannic WPF	Other WPFs	Shareholder and non-profit funds	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Equity holders' funds								
Outside long term fund	**—**	**—**	**22**	**—**	**—**	**—**	**3,381**	**3,403**
Inside long term fund	**—**	**—**	**—**	**—**	**—**	**—**	**1,654**	**1,654**
Other qualifying capital								
Subordinated debt	**—**	**—**	**200**	**—**	**—**	**—**	**200**	**400**
Unallocated surplus	**15**	**97**	**42**	**154**	**311**	**84**	**—**	**703**
Regulatory adjustments								
Assets	—	—	**(5)**	**(2)**	**(1)**	—	**(3,250)**	**(3,258)**
Liabilities	**542**	**1,178**	**132**	**944**	**608**	**367**	**199**	**3,970**
Total available capital resources	**557**	**1,275**	**391**	**1,096**	**918**	**451**	**2,184**	**6,872**
Capital requirement								
UK realistic basis	**550**	**1,218**	**391**	**1,002**	**728**	**432**	—	**4,321**
Other regulatory bases	—	—	—	—	—	—	**746**	**746**
Overall surplus capital over regulatory requirements at 31 December 2007	**7**	**57**	**—**	**94**	**190**	**19**	**1,438**	**1,805**

Analysis of policyholders' net liabilities at 31 December 2007

	SMA WPF	SPL WPF	PALAL WPF	PLL Phoenix WPF	PLL Britannic WPF	Other WPFs	Shareholder and Non-Profit Funds	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Insurance contracts	**2,833**	**3,330**	**5,520**	**6,545**	**1,040**	**2,934**	**8,658**	**30,860**
Investment contracts with DPF	**2,537**	**668**	—	—	**3,674**	**407**	**1,354**	**8,640**
Investment contracts	—	—	—	—	**45**	—	**7,945**	**7,990**
Total technical liabilities	**5,370**	**3,998**	**5,520**	**6,545**	**4,759**	**3,341**	**17,957**	**47,490**

The total technical liabilities at 31 December 2007 exclude the liabilities of Scottish Provident International Life Assurance Limited, a company incorporated in the Isle of Man.

31 December 2006

	SMA WPF	SPL WPF	PALAL WPF (Restated)	PLL Phoenix WPF	PLL Britannic WPF	Other WPFs	Shareholder and Non-Profit Funds	Total
	£m	£m	£m	£m	£m	£m	£m (Restated)	£m
Equity holders' funds								
Outside long term fund	80	—	**(11)**	—	—	82	3,971	4,122
Inside long term fund	—	—	**—**	—	—	109	1,317	1,426
Other qualifying capital								
Subordinated debt	—	—	**200**	—	—	—	200	400
Unallocated surplus	4	89	**14**	181	307	107	—	702
Regulatory adjustments								
Assets	—	(1)	**(1)**	(3)	(10)	(5)	(2,557)	(2,577)
Liabilities	479	1,143	**175**	1,180	695	385	23	4,080
Total available capital resources	563	1,231	**377**	1,358	992	678	2,954	8,153
Capital requirement								
UK realistic basis	563	1,170	**377**	1,245	803	530	300	4,988
Other regulatory bases	—	—	**—**	—	—	53	250	303
Overall surplus capital over regulatory requirements at 31 December 2006	—	61	**—**	113	189	95	2,404	2,862

Analysis of policyholders' net liabilities at 31 December 2006

	SMA WPF	SPL WPF	PALAL WPF	PLL Phoenix WPF	PLL Britannic WPF (restated)	Other WPFs	Shareholder and Non-Profit Funds	Total (restated)
	£m	£m	£m	£m	£m	£m	£m	£m
Insurance contracts	3,399	3,757	5,976	7,196	950	2,706	8,490	32,474
Investment contracts with DPF	2,886	506	—	—	3,572	369	2,393	9,726
Investment contracts	—	—	3	5	46	556	7,826	8,436
Total technical liabilities	6,285	4,263	5,979	7,201	4,568	3,631	18,709	50,636

The total technical liabilities at 31 December 2006 exclude the liabilities of Scottish Provident International Life Assurance Limited, a company incorporated in the Isle of Man.

Reconciliation of equity holders' funds

The equity holders' funds in the capital statement can be reconciled to Group equity holders' funds as follows:

	2007	2006
	£m	£m
Equity holders' funds of life businesses	**5,057**	5,548
Value of acquired in-force business	**850**	616
Goodwill	**209**	209
Intangible asset — distribution agreements	**72**	92
Asset management business	**71**	64
Management services business	**90**	57
Minority interest in the net worth of UK Commercial Property Trust	**192**	154
Other non-UK life companies, non-life companies and holding companies	**(1,942)**	(2,205)
Group equity holders' funds	**4,599**	4,535

The regulatory liabilities for all of the UK's with-profit funds including SMA, SPL, PALAL, the Phoenix with-profit fund, the Britannic with-profit fund and the other PLL with-profit funds have been determined taking account of the requirement in the Board of Actuarial Standards' Guidance Note, GN45, to show zero working capital for a realistic basis with-profit fund that is closed to new business. If these requirements were disregarded, the surplus capital over regulatory requirements would increase by £147 million, £312 million, £nil, £167 million, £184 million and £250 million respectively.

(b) Change in available capital

The change in available capital for the full year is set out in the table below.

	SMA WPF	SPL WPF	PALAL WPF	PLL Phoenix WPF	PLL Britannic WPF	Other WPFs	Shareholder and Non-Profit Funds	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Available capital at 1 January 2007, before reclassification	**563**	**1,231**	**377**	**1,358**	**992**	**678**	**2,954**	**8,153**
Reclassification of capital resources	**—**	**—**	**—**	**—**	**—**	**(164)**	**164**	**—**
Available capital at 1 January 2007, as reclassified	**563**	**1,231**	**377**	**1,358**	**992**	**514**	**3,118**	**8,153**
Changes in assumptions used to measure life insurance liabilities	**—**	**—**	**(31)**	**(81)**	**10**	**45**	**72**	**15**
Inadmissible loans to Group companies	**—**	**—**	**—**	**—**	**—**	**—**	**(619)**	**(619)**
New business and other factors	**(6)**	**44**	**45**	**(181)**	**(84)**	**(108)**	**(387)**	**(677)**
Available capital at 31 December 2007	**557**	**1,275**	**391**	**1,096**	**918**	**451**	**2,184**	**6,872**

	SMA WPF	SPL WPF	PALAL WPF	PLL Phoenix WPF	PLL Britannic WPF	Other WPFs	Shareholder and non-Profit Funds	Total
	£m	£m	£m (Restated)	£m	£m	£m	£m (Restated)	£m
Available capital at 1 January 2006, before reclassification	—	—	356	1,365	758	455	1,520	4,454
Reclassification of capital resources	—	—	—	(62)	(128)	82	108	—
Available capital at 1 January 2006, as reclassified	—	—	356	1,303	630	537	1,628	4,454
Available capital of Abbey's life businesses at acquisition	393	1,109	—	—	—	173	2,450	4,125
Changes in assumptions used to measure life insurance liabilities	—	—	275	144	(5)	48	217	679
Changes in regulatory requirements	—	—	—	—	—	5	441	446
Inadmissible loans to Group companies	—	—	—	—	—	—	(1,660)	(1,660)
New business and other factors	170	122	(254)	(89)	366	(85)	(121)	109
Available capital at 31 December 2006	563	1,231	377	1,358	991	678	2,955	8,153

Changes in assumptions used to measure life insurance liabilities

The decrease in available capital resources for the Phoenix with-profit fund of £81 million arises from a decrease in the valuation interest rate.

Inadmissible loans to Group companies

The movement in inadmissible loans of £619 million relates to the loans made by the former Abbey life businesses to the Group and are made out of the available capital in excess of that required to meet the Group's capital management policies.

New business and other factors

The decrease of £84 million in the Britannic with-profit fund's available capital resources is mainly due to a change in unappropriated surplus to fund reversionary and terminal bonuses, partially offset by favourable changes in valuation interest rates and economic and experience variances. The decrease of £181 million in the Phoenix with-profit fund is mainly due to negative experience, economic and investment variances and a change in unappropriated surplus to fund reversionary and terminal bonuses.

(c) Internal group financing and other arrangements

The Group has several internal Group financing arrangements in place. Details of these arrangements are set out below.

PALAL subordinated loan agreement

PALAL has a loan facility with Resolution Life Limited (RLL), the immediate parent company. Financial support is provided where it is anticipated that PALAL would have insufficient capital to meet the "Capital Test". The Capital Test requires there to be sufficient capital to meet both the Pillar 1 and Pillar 2 capital requirements with an excess of at least £50 million.

The loan is repayable at PALAL's discretion, subject to providing at least 6 months notice to RLL and to the FSA, but only if the Capital Test is met and only then with the consent of the FSA. The amount available under the subordinated loan agreement is limited to £200 million. At the end of 2007, the company had drawn down £200 million under the facility.

PALAL internal capital support memorandum

PALAL has agreed with RLL and with the FSA that it will establish memoranda accounts within the shareholders' and long-term fund to provide financial support to the long-term fund. The amount credited to the shareholders' memorandum account at the end of 2007 was £200 million, being the amount received under the subordinated loan agreement. Assets are transferred from the shareholders' memorandum account to the long-term funds memorandum account when the value of assets of the long term fund have fallen (or are likely to fall) below the "threshold amount". The threshold amount is £25 million in excess of the requirements under both the statutory and realistic solvency regulations.

The amount transferred from the shareholders' memorandum account to the long-term fund memorandum account at the end of 2007 was £207 million, including accrued interest. In relation to these transfers, £91 million was required to achieve a realistic basis surplus of zero.

PLL capital support

In the event that the value of the assets of any with-profit fund within PLL falls below the regulatory minimum value of assets which must be held in that fund plus 0.5% of the with-profit benefit reserve (WPBR) (or £5 million if greater), support will be provided to that fund by way of a loan arrangement from the PLL non-profit fund or the PLL shareholders' fund to the extent that the PLL board determines that there are assets in those funds available to make such a loan.

At the end of 2007, £12 million was repaid to the non-profit fund by the Alba with-profit fund under a contingent loan arrangement, although £30 million was subsequently drawn down. No support was required by any of the other with-profit funds.

PPL capital support

During 2007 the non-profit fund of PLL made a contingent loan of £200 million to the non-profit fund of PPL to support the solvency of PPL. At the end of 2007 the loan amount outstanding was £200 million.

Life Division loans to RLL

As a result of dividend restrictions surplus funds totalling £2.47 billion have been loaned by SMA, SPL, PLAL and SMIH to RLL. The loans are interest bearing, repayable on demand by the lender and RLL may repay the loans at any time.

Loans made by PLL to RLL at 31 December 2007 totalled £325 million. The loans are interest bearing, repayable on demand by the lender and RLL may repay the loans at any time.

Internal reassurance

The following internal reassurance agreements were in place as at 31 December 2007:

- A significant portion of the SMI with-profit business is reassured into the SMA with-profit fund;
- All of the with-profits business of PLAL is reassured into the SMA with-profit fund;
- A significant portion of the immediate annuity business of the PLL, SMA, SPL and PLAL non-profit funds is reassured into the PPL non-profit fund; and
- A significant portion of the deferred annuity business of the PLL non-profit fund is reassured into the PPL non-profit fund.

Investment management agreements

As at the end of 2007, the majority of the Group's life companies had entered into contractual arrangements with Resolution Asset Management, a fellow subsidiary, for the management of their assets.

Management services agreements

Most life subsidiaries of the Group have entered into contractual agreements with a fellow subsidiary, Resolution Management Services, for the provision of administrative services. Accordingly, expense risks are now generally borne by the equity holder-owned management services company.

Following a review of policy administration, Resolution reached agreement with Capita Group plc to contribute customer service and IT functions of Resolution Management Services to a jointly designed servicing model, effectively outsourcing these functions to Capita Group plc.

(d) Regulatory capital requirements

Each UK life insurance company must retain sufficient capital to meet the regulatory capital requirements mandated by the FSA; life insurance businesses based in Ireland and the Isle of Man, however, have requirements set by the local regulator. The following comments apply to FSA-regulated businesses comprising the majority of the Group's total life insurance businesses.

With the exception of the with-profit businesses the regulatory capital requirement is a combination of amounts held in respect of investment, expense and insurance risks (the long-term insurance capital requirement) and additional amounts, if required, covering the more onerous of two specified stress tests. The regulatory capital requirement is deducted from the available capital resources to give 'regulatory basis excess capital'.

For the with-profit businesses, a further test is required in respect of the with-profit funds which compares the level of 'realistic basis excess capital' to the 'regulatory basis excess capital' and, in circumstances where the 'realistic basis excess capital' position is less, that company is required to hold additional capital to cover the shortfall. The 'realistic basis excess capital' is calculated as the difference between realistic assets and realistic liabilities of the with-profit fund with a further deduction to cover various stress tests. Any additional capital requirement under this test is referred to as the with-profit insurance capital component (WPICC).

Amounts have been maintained outwith the with-profits funds in SPL (£125 million) and SMA (£220 million) in respect of risks arising in the respective with-profit funds as Risk Based Capital ('RBC'). These RBC amounts will only be utilised after taking into account any management actions deemed appropriate and are not expected to be utilised on a realistic basis.

(e) Basis of determining regulatory capital

The following comments again apply to FSA-regulated businesses comprising the majority of the Group's total life insurance businesses.

Available capital resources

Available capital resources represent the excess of assets over liabilities calculated in accordance with detailed regulatory rules issued by the FSA. Different rules apply depending on whether the regulatory basis or the realistic basis excess capital is being calculated. Some differences also apply to the calculation of with-profit liabilities on the regulatory basis depending on whether or not a WPICC is required.

Regulatory basis

Assets are generally valued on a basis consistent with that used for accounting purposes although there are restrictions over the admissibility of certain assets and limitations on the value of certain assets depending on such matters as risk concentration (for example, counterparty risk).

Liabilities are calculated using a projection of future cash flows after making assumptions, inter alia, on future investment returns, expenses, mortality, and, in some instances persistency, all of which include margins for adverse deviation. Discount rates used to value the liabilities are set with reference to the risk adjusted yields on the underlying assets and to yields obtainable on future investments and reinvestments. Other assumptions are based on recent actual experience, supplemented by industry information where appropriate. In most cases, the assessment of liabilities does not include future bonuses for with-profit policies that are at the discretion of the company, but does include a value for policyholder options likely to be exercised.

For with-profit businesses, if a WPICC calculation is required, yields obtainable on future investments are calculated taking into account the forward yield curve at the date of the valuation and allowance is made in some cases for future early terminations.

Realistic basis

The FSA requires each life insurance company that has with-profit liabilities exceeding £500 million to carry out a 'realistic' valuation of its with-profit funds. The word 'realistic' in this context reflects the terminology used for reporting to the FSA and is an assessment of the financial position of a with-profit fund calculated under a prescribed methodology. The methodology is intended to reflect the market value of the assets and a 'market-consistent' value of the liabilities of the fund.

The valuation of with-profit assets in the with-profit funds on the realistic basis differs from the valuation on the regulatory basis as, in respect of non-profit business written in the with-profit funds, it includes the present value of the anticipated future release of the margins for adverse deviation. Further, the realistic valuation uses the market value of admissible assets without the restrictions affecting the regulatory basis noted above. The realistic valuation of with-profit liabilities is based upon 'asset shares', which are the accumulation of premiums less charges or other deductions and additions at the earned rate of return and which are used as a guide to the final bonus rates which can be supported. The valuation of financial guarantees or options embedded within policies is carried out using a stochastic simulation model that values liabilities on a basis consistent with tradable market option contracts (a 'market-consistent' basis). The model is, however, calibrated to gilt yields plus ten basis points rather than to swap yields. The model takes account of policyholder behaviour on a best-estimate basis and includes an adjustment to reflect future uncertainties where the exercise of options by policyholders might increase liabilities.

(f) Sensitivity to market conditions of liabilities and components of capital

Shareholders' funds

Shareholders' funds outside the long-term business funds are invested in a variety of assets. Some of these assets are sensitive to market conditions.

With-profit funds

The with-profit realistic liabilities and the available capital for the with-profit funds are sensitive to both market conditions and changes to a number of non-economic assumptions that affect the valuation of the liabilities of the funds. The available capital resources (and capital requirements) are sensitive to the level of the stock market, with the position worsening at lower stock market levels as a result of the guarantees to policyholders increasing in value. An increase in the level of equity volatility implied by the market cost of equity put options also increases the market consistent value of the options given to policyholders and worsens the capital position.

In addition, the with-profit funds hold significant amounts of corporate bonds. Therefore, there is a significant sensitivity to changes in corporate bond spreads and to changes in interest rates and yield curves. The most critical non-economic assumptions are the level of take-up of options inherent in the contracts (higher take up rates are more onerous), mortality rates (lower mortality rates at older ages are more onerous) and lapses prior to dates at which a guarantee would apply (lower lapse rates are generally more onerous where guarantees are in the money). The sensitivity of the capital position and capital requirements of the with-profit funds is partly mitigated by the actions that can be taken by management.

Other long-term funds

Outside the with-profit funds, assets backing actuarial reserves in respect of policyholder liabilities are invested so that the assets and liabilities are broadly matched. A key non-economic assumption is mortality rates in respect of annuity business (lower mortality rates are more onerous). The Group has reduced its exposure to deteriorating mortality rates in respect of life assurance contracts through reinsurance arrangements. The Group is also exposed to mortality risk on assured lives even though some of the risk has also been mitigated through reassurance arrangements.

In addition, poor cost control would gradually deplete the available capital and lead to an increase in the valuation of the liabilities (through an increased allowance for future costs). However, this risk has largely been mitigated through the implementation of the management services agreements.

(g) Capital management policies and objectives

The capital position is monitored by a management committee appointed to oversee the business. This committee monitors the regulatory position using the Group's own assessment of capital resources and requirements against targets which themselves are subject to regular review to ensure that they remain appropriate to maximise value for policyholders and shareholders.

In determining the capital policies the Group takes into account the previously described realistic and regulatory requirements, alternatively described as "Pillar 1" requirements. It also takes into account the Individual Capital Assessment (ICA) methodology, described in note 51 1(c), which is an assessment of all risks borne by each regulated entity and which is commonly referred to as "Pillar 2".

This approach ensures that each Group company is able to meet regulatory requirements at all times. The Group's policies are set out below.

PLL

The with-profit funds held within PLL include the Phoenix with-profit fund, the Alba with-profit fund, the 90% fund, the 100% fund, the Britannic with-profit fund and the Britannic IB fund.

PLL intends to hold amounts of capital in excess of liabilities on each of the following three bases:

Test 1: Pillar 1

The sum of:

- In respect of each with-profit fund, the proportion of the Capital Resources Requirement (CRR) attributable to that fund, plus an amount equal to the greater of any positive free assets and 200% of the proportion of the Long Term Insurance Capital Requirement (LTICR) attributable to that fund less its WPICC, and
- In respect of the non-profit fund, 125% of its Capital Resources Requirement (CRR) less the sum of any positive free assets for each with-profit fund plus 25% of the capital requirements of PPL plus £51 million. A negative net result is permitted.

Test 2: Pillar 2 (ICA)

The sum of:

- In respect of each with-profit fund, 140% of its ICA, subject to a minimum of the ICA plus 1% of the WPBR, and
- In respect of the non-profit fund, 140% of its ICA plus £51 million.

Test 3: (ICA+ICG)

The sum of:

- In respect of each with-profit fund, 110% of its ICA plus 110% of any additional capital which the FSA indicates via ICG should be held, and
- In respect of the non-profit fund, 110% of ICA plus 110% of ICG plus £51 million.

When calculating whether the total capital available in PLL satisfies each basis, any excess capital in a with-profit fund over the required capital for that fund will not be taken into account.

PPL

PPL intends to hold amounts of capital in excess of liabilities on each of the following three bases:

Test 1: Pillar 1

110% of CRR

Test 2: Pillar 2 (ICA)

110% of ICA

Test 3: (ICA+ICG)

110% of ICA plus 110% of ICG

PALAL

For PALAL, the Group has undertaken to maintain sufficient capital to cover:

- Pillar 1 capital requirements by a margin of at least £50 million; and
- Pillar 2 ICA capital requirements, as adjusted by any ICG, by a margin of at least £50 million.

SMA

SMA intends to hold amounts of capital in excess of liabilities on each of the following three bases:

Test 1: Pillar 1

The sum of:

- In respect of the with-profit fund, 100% of Pillar 1 CRR plus 50% of the LTICR, and
- In respect of the non-profit fund, 135% of its CRR.

Test 2: Pillar 2 (ICA)

The sum of:

- In respect of the with-profit fund, 140% of its ICA, and
- In respect of the non-profit fund, 150% of its ICA.

Test 3: (ICA+ICG)

110% of the ICA plus 110% of ICG for both the with-profit fund and non-profit fund.

SPL

SPL intends to hold amounts of capital in excess of liabilities on each of the following three bases:

Test 1: Pillar 1

The sum of:

- In respect of the with-profit fund, 100% of Pillar 1 CRR plus 50% of LTICR, and
- In respect of the non-profit fund, 125% of its CRR.

Test 2: Pillar 2 (ICA)

140% of the ICA for both the with-profit fund and non-profit fund.

Test 3: (ICA+ICG)

110% of the ICA plus 110% of ICG for both the with-profit fund and non-profit fund.

Phoenix Life Assurance Limited (PLAL)

PLAL intends to hold amounts of capital in excess of liabilities on each of the following three bases:

Test 1: Pillar 1

135% of the non-profit fund CRR.

Test 2: Pillar 2 (ICA)

150% of the non-profit fund ICA.

Test 3: (ICA+ICG)

110% of the non-profit fund ICA plus 110% of ICG.

Scottish Mutual International (SMI)

SMI intends to hold 150% of the Irish regulatory minimum required capital.

Scottish Provident International (SPILA)

SPILA intends to hold 150% of the maximum of the Hong Kong and Isle of Man regulatory solvency capital.

(h) Assumption setting

The process for setting the assumptions used to value the liabilities takes account of a variety of factors such as market information at the valuation date on yields and volatility, the yields on the investments actually held at the valuation date and historic information on observed rates of default on corporate bonds. In addition, due cognisance is taken of actual experience of mortality, sickness, persistency and option take-up rates for some of the larger product types and generally of industry data for mortality and sickness rates.

This information is reviewed and analysed by the actuarial department (including the heads of actuarial function and with-profit actuaries where relevant) and appropriate recommendations are made to the life subsidiary boards. The boards approve the assumptions used.

(i) Policyholder options and guarantees

Some of the Group's products give potentially valuable guarantees, or give options to change policy benefits which can be exercised at the policyholder's discretion. These products are described below. Where the contracts are non-profit contracts, appropriate quantification is given of any potentially significant guarantees.

Most with-profit contracts give a guaranteed minimum payment on a specified date or range of dates or on death before that date or dates. For pensions' contracts, the specified date is the policyholder's chosen retirement date or a range of dates around that date. For endowment contracts, it is the maturity date of the contract. For with-profit bonds it is often a specified anniversary of commencement, in some cases with further dates thereafter. Annual bonuses when added to with-profit contracts usually increase the guaranteed amount.

There are guaranteed surrender values on a small number of older contracts.

Some pensions' contracts include guaranteed annuity options which expose the Group to interest rate and longevity risk. The total liabilities included in the with-profit funds in respect of these guarantees are £1,169 million. The total liabilities included in the non-profit funds in respect of these guarantees are £28 million.

With-profit deferred annuities participate in profits only up to the date of retirement. At retirement, a guaranteed cash option allows the policyholder to commute the annuity benefit into cash on guaranteed terms.

There is a block of immediate and deferred annuities within the non-profit business where benefits are linked to changes in the Retail Price Index (RPI) but with contractual maximum or minimum increases. In particular, most of these annuities have a provision that the annuity will not reduce if the RPI falls. The liabilities in respect of such annuities in payment at 31 December 2007 were £516 million.

29. Borrowings

Non-current liabilities

	2007 £m	2006 £m
Bank loan	**120**	435
Subordinated loans	**210**	222
	330	657

Current liabilities

	2007 £m	2006 £m
Bank loan	**115**	496
Subordinated loans	**11**	125
	126	621
Total borrowings	**456**	1,278

The £235 million bank loan is repayable in instalments of £115 million in April 2008 and £120 million in April 2009. The loan carries an annual interest rate of between 30 and 70 basis points above LIBOR and is currently charged at a rate of 30 basis points above LIBOR.

Scottish Mutual Assurance Limited issued £200 million 7.25% undated, unsecured subordinated loan notes on 23 July 2001. The earliest repayment date of the notes is 25 March 2021 and thereafter on each fifth anniversary so long as the notes are outstanding. The Group has entered into interest rate swap agreements with Abbey National Treasury Services plc, the effect of which is to convert the fixed interest expense on the notes to a floating rate expense. In the event of the winding-up of the Group, the right of payment under the notes is subordinated to the rights of the higher-ranking creditors (principally policyholders).

On 13 May 2007 the Group repaid the SPI Finance pic £125 million 8.75% undated subordinated guaranteed bonds, being the earliest repayment date of the bonds.

The fair value of the unsecured subordinated loan notes issued by Scottish Mutual Assurance Limited as at 31 December 2007 amounted to £197 million. With this exception, the carrying amounts of the borrowings approximate to their fair value.

The most recent drawing under the £200 million revolving credit facility with a termination date of April 2009 was repaid on 5 June 2007. The facility is available to be redrawn and has the same interest rate as the £235 million bank term loan described above, currently 30 basis points above LIBOR.

30. Deposits received from reinsurers

	2007 £m	2006 £m
Amount due for recovery after 12 months	**441**	458

31. Deferred income

	2007 £m	2006 £m
Amount due for recovery after 12 months	46	72

32. Trade and other payables

	2007 £m	2006 (Restated) £m
Trade and other creditors		
Collateral creditors	**476**	506
	25	149
	501	655
Amount due for recovery after 12 months	20	165

Information on the collateral creditors is given in note 41.

33. Pension schemes

(a) Defined contribution schemes

The Group participates in the Resolution Group Pension Scheme defined contribution section.

Former staff of the Abbey life businesses, acquired in 2006, who were either in the Abbey matching stakeholder scheme or were not in a pension scheme, became eligible to join the Resolution stakeholder scheme, a matching scheme. Former staff of Abbey's life businesses who were in a defined benefits pension scheme were offered an enhanced defined contribution pension scheme which commenced on 1 March 2007. Prior to this date these staff were eligible to join the Resolution Stakeholder (non-matching) scheme.

Contributions to defined contribution schemes amounted to £6 million (2006: £9 million).

(b) Defined benefit schemes

Introduction

Certain Group companies participate in the Resolution Group Pension Scheme defined benefit section (the "scheme"), the scheme being a final salary arrangement which is generally closed to new entrants.

The assets of the scheme are held in a separate trust fund to meet the long-term pension liabilities for past and present members.

As at 31 December 2007 the membership of the scheme totalled 11,603 (2006: 11,737), comprising 4,086 pensioners (2006: 3,981), 7,147 deferred pensioners (2006: 7,062) and 370 (2006: 694) active members. The reduction in the number of active members has mainly arisen from the transfer of certain employees to Capita Group plc under an outsourcing contract; this has given rise to a curtailment gain.

The Trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of Trustees to the fund is determined by the scheme's trust documentation and statutory requirements. The scheme's Board of Trustees currently comprises six individual Trustee positions half of which are nominated by the Group and half of which are nominated by the members ("Member Nominated Trustees").

Under the scheme rules, the contributions payable to the scheme by the participating employers are determined by the Scheme Actuary, who is appointed by the Trustees. However, under the terms of the Pensions Act 2004 the Trustees are now required to agree the contributions with the Group subject to the Scheme Actuary certifying that the resulting contributions are no lower than he would have set had he retained the sole power to determine the contributions. The participating employers are consulted whenever the principles under which the scheme is funded and invested are reviewed.

If an employer ceased to participate in the scheme, a final contribution would be payable on cessation, as determined by the Scheme Actuary but subject to any statutory requirements and the requirements of the scheme rules.

Principal assumptions

The main financial assumptions used to calculate the liabilities of the scheme at 31 December 2007 for inclusion in these financial statements are set out below, together with equivalent assumptions at the end of 2006.

The discount rate is derived from the yields available on AA rated corporate bonds at the measurement date. The inflation assumption is derived from the yields available in the gilt market at the measurement date and the other assumptions are derived to be consistent with the inflation assumption.

	2007 %	2006 %
Rate of general long-term increase in salaries	**4.4**	4.1
Rate of increase in pensions	**3.4**	3.1
Discount rate	**5.8**	5.2
Inflation	**3.4**	3.1
Expected rate of return on scheme assets	**5.2**	5.0

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements and are taken from the triennial valuation as at 30 June 2006.

Using these assumptions, the table below shows the average life expectancy for members of different ages, retiring at age 57.

Sex	Current Age	Life Expectancy (years)
Male	**40**	**33.5**
Female	**40**	**34.8**
Male	**50**	**32.1**
Female	**50**	**34.0**

It has been assumed that post retirement mortality is in line with standard tables PXAOO with a scaling factor of 105% being applied, allowing for future improvements in line with the long cohort improvement factors, subject to a minimum level of improvement 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 57 is 33.5 years and 34.8 years for male and female members respectively.

Sensitivity to principal assumptions

The table below provides an approximate indication of how the assessment of the scheme's financial position for the Group's accounting disclosures may change in response to changes in key assumptions.

This shows that the greatest risk to which the scheme's funding position is exposed is uncertainty over future longevity of its members, despite the liabilities also being significantly affected by changing investment market conditions. This is a reflection of the scheme's investment strategy and is explained further below.

Assumption	Change in Assumption	Impact on Scheme Liabilities	Impact on IAS 19 Funding Ratio
Discount rate	Decrease by 1%	Increase by 21%	Decrease by 18%
Inflation	Increase by 1%	Increase by 17%	Decrease by 2%
Rate of mortality	Increase life expectancies by one year	Increase by 2%	Decrease by 3%
Rate of mortality	Increase life expectancies by five years	Increase by 9%	Decrease by 9%

The IAS 19 funding ratio is the total assets of the scheme divided by the total liabilities of the scheme. The sensitivities shown above of the life expectancies are based on an average member of the scheme.

Risks arising from financial instruments

Most of the liabilities of the scheme relate to members who have already ceased pensionable service and whose future benefit levels are now essentially fixed in absolute terms or relative to price inflation. This allows an investment strategy to be adopted that attempts overall to provide matching investments to the future expected benefit payments due, despite the uncertainty over future life expectancy and other demographic factors such as future choices of retirement dates.

The majority of the scheme's investment holdings have been specifically selected to try to protect the scheme against changes in bond yields and inflation. Therefore the assets and liabilities of the scheme should move broadly in line in response to changes in investment market conditions although the correlation will reduce when there are more extreme market movements. The assets held consist mainly of a mixture of fixed interest and index-linked bonds, swap instruments and more liquid investments. The scheme holds derivative instruments to increase the duration of the income available from the bond portfolio and to provide income related to price inflation as a closer match to the expected benefit increases.

This investment approach has been adopted since November 2004. The effect of this approach, whilst restricting the possibility of investment gains, has been to reduce significantly the possibility of losses from investment performance. Some mismatching risks are taken within this portfolio, for example to benefit from investment opportunities in the corporate bond market.

The remainder of the scheme's assets (around 15%) are mainly invested in commercial properties and the expected excess long-term returns from this asset class above the yields available on corporate bonds provide some protection against the longevity exposure. However, this exposure does introduce more potential volatility than would otherwise have been the case.

The experience of this investment strategy to date has been reasonably positive, with a more stable funding position prevailing despite investment market volatility.

Measurement of liabilities

The level of retirement benefit under the scheme is principally based on basic salary earned in the last 12 months of employment.

The liabilities of the scheme are measured for financial reporting purposes by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method. Under the projected unit method the value placed on benefits earned to date reflects only the pensionable service completed to the measurement date, but does allow for the effect of all future projected salary increases in valuing the benefits that have been earned. The cost of benefits accrued in the next year (the service cost) is determined based on pensionable service in that year with allowance for future increases in pensionable salary.

The triennial funding valuation used to determine future contributions is carried out in a similar manner but with some assumptions derived differently as the funding valuation is required to include a margin for prudence.

The other key measure of the liabilities is the cost of securing benefits earned to date on a guaranteed basis with an insurance company, which is the liability measure that must be funded if the scheme were to be wound up in future. Hence this represents the amount that would be required to settle the scheme's liabilities if the Group were to cease funding the scheme on an ongoing basis. As at 30 June 2006 the Scheme Actuary estimated the amount required to settle the scheme's liabilities was £1,321 million, compared with assets available at that date of £1,084 million. It is possible that the increased competition among insurance companies for bulk pension contracts has subsequently improved this position significantly.

Future funding obligations

The financial statements include a cost of changes in longevity assumptions amounting to £38 million, based on the results of the triennial valuation as at 30 June 2006. This is in addition to a cost of £49 million provided in the financial statements for the year ended 31 December 2006, based on the draft triennial valuation at that time. This cost is included in actuarial gains and losses within the consolidated statement of recognised income and expense.

In accordance with an agreement dated November 2005, certain of the Group's with-profit funds have indemnified the Group's equity holders in respect of contribution calls equal to their share of the costs of changes in the longevity assumptions. Completion of the triennial valuation has resulted in contribution calls totalling £75 million being made for the five year period to June 2012. Of this, £58 million has been attributed to the with-profit funds and accordingly a contribution in respect of actuarial losses has been made by the with-profit funds of this amount, less tax, which has been recognised in the consolidated statement of recognised income and expense.

Financial information

The reported pension costs and supporting information are set out below and have been calculated in compliance with IAS 19 *Employee Benefits*. The calculations are derived from the triennial valuation of the scheme as at 30 June 2006, adjusted to allow for investment experience and anticipated cashflows to 31 December 2007. They have been carried out by independent qualified actuaries.

The present values of the defined benefit obligation and the related current service cost were measured using the projected unit credit method.

The amounts recognised in the income statement are as follows:

	2007 £m	**2006 £m**
Current service cost	**(6)**	(6)
Interest cost	**(53)**	(48)
Expected return on scheme assets	**55**	49
Gain on curtailments	**2**	—
	(2)	(5)

The amounts recognised in the statement of recognised income and expense are as follows:

	2007 £m	**2006 £m**
Actuarial gains and losses	**1**	(4)

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

	2007 £m	2006 £m
Actual return less expected return on scheme assets	**(10)**	(17)
Experience gains and losses arising on scheme liabilities	**(8)**	6
Changes in assumptions underlying scheme liabilities	**19**	7
	1	(4)

The cumulative net actuarial losses recognised in the statement of recognised income and expense since 1 January 2004 amount to £15 million.

The amounts recognised in the balance sheet are as follows:

	2007 £m	2006 £m
Fair value of scheme assets	**1,118**	1,117
Present value of defined benefit obligation	**(1,039)**	(1,037)
Net surplus	**79**	80

The actual return on the scheme assets comprises the following:

	2007 £m	2006 £m
Expected return on scheme assets	**55**	49
Actuarial losses on scheme assets	**(10)**	(17)
	45	32

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

	2007 £m	2006 £m
At 1 January	**1,037**	1,034
Current service cost	**6**	6
Interest cost	**53**	48
Gain on curtailments	**(2)**	—
Actuarial gains	**(11)**	(13)
Benefits paid	**(44)**	(38)
At 31 December	**1,039**	1,037

The defined benefit obligation arises from plans that are wholly funded.

The change in the fair value of the scheme assets is as follows:

	2007 £m	2006 £m
At 1 January	**1,117**	1,123
Expected return on scheme assets	**55**	49
Actuarial losses on scheme assets	**(10)**	(17)
Contributions by the employer	**—**	—
Benefits paid	**(44)**	(38)
At 31 December	**1,118**	1,117

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

	2007 £m	2006 £m
Annuities	**—**	1
Bonds	**938**	881
Equities	**—**	12
Properties	**162**	189
Cash	**18**	34
	1,118	1,117

Table of historical information

	2007 £m	2006 £m	2005 £m	2004 £m
Fair value of scheme assets	**1,118**	1,117	1,122	980
Defined benefit obligation	**(1,039)**	(1,037)	(1,034)	(878)
Net surplus in scheme	**79**	80	88	102
Experience gains/(losses) on scheme assets	**(10)**	(17)	90	16
Experience gains/(losses) on scheme liabilities	**(8)**	6	(2)	(1)

In addition, the Group participates in the SP Institution Staff Pension Scheme for Employees in the Republic of Ireland.

34. Property, plant and equipment

	Land and Buildings £m	Plant and Equipment £m	Total £m
Cost or valuation			
At 1 January 2007	**47**	**55**	**102**
Additions	**—**	**4**	**4**
Transfer to asset held for sale (note 44)	**(12)**	**—**	**(12)**
Disposals	**—**	**(21)**	**(21)**
At 31 December 2007	**35**	**38**	**73**
Depreciation			
At 1 January 2007	**—**	**47**	**47**
Charge for the year	**—**	**2**	**2**
On disposals	**—**	**(15)**	**(15)**
At 31 December 2007	**—**	**34**	**34**
Carrying amount			
At 31 December 2007	**35**	**4**	**39**

	Land and Buildings £m	Plant and Equipment £m	Total £m
Cost or valuation			
At 1 January 2006	48	51	99
Acquisitions through business combinations	—	10	10
Additions	—	1	1
Disposals	(1)	(7)	(8)
At 31 December 2006	47	55	102
Depreciation			
At 1 January 2006	—	43	43
Charge for the year	—	4	4
At 31 December 2006	—	47	47
Carrying amount			
At 31 December 2006	47	8	55

The useful lives of plant and equipment have been taken as follows: motor vehicles 3-4 years, computer equipment 3-4 years, furniture and office equipment 5-10 years.

The valuation of land and buildings is carried out at least every three years as at 31 December by external surveyors in accordance with the Royal Institution of Chartered Surveyors' requirements. The most recent valuation was carried out in December 2005 at open market value and on the basis of the lease agreements.

If the land and buildings were carried at historical cost less accumulated depreciation, the carrying amount would have been £66 million (2006: £80 million).

35. Intangible assets

	Goodwill	Acquired In-Force Business	Deferred Acquisition Costs (Note 36)	Other	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 2007	**337**	**2,872**	**126**	**129**	**3,464**
Acquisitions through business combinations	**—**	**—**	**—**	**30**	**30**
Other additions	**—**	**—**	**22**	**—**	**22**
Disposals	**—**	**—**	**—**	**(4)**	**(4)**
At 31 December 2007	**337**	**2,872**	**148**	**155**	**3,512**
Amortisation and impairment losses					
At 1 January 2007	**128**	**827**	**54**	**16**	**1,025**
Amortisation charge for the year	**—**	**228**	**15**	**31**	**274**
On disposals	**—**	**—**	**—**	**(2)**	**(2)**
At 31 December 2007	**128**	**1,055**	**69**	**45**	**1,297**
Carrying amount					
At 31 December 2007	**209**	**1,817**	**79**	**110**	**2,215**
Amount recoverable after 12 months	**209**	**1,616**	**62**	**78**	**1,965**

	Goodwill	Acquired In-Force Business (Restated)	Deferred Acquisition Costs (Note 36)	Other	Total (Restated)
	£m	£m	£m	£m	£m
Cost					
At 1 January 2006	337	1,235	114	—	1,686
Acquisitions through business combinations	—	1,694	—	100	1,794
Addition on transfer from the with-profit funds	—	64	—	—	64
Other additions	—	—	12	29	41
Disposal on transfer from the with-profit funds	—	(121)	—	—	(121)
At 31 December 2006	337	2,872	126	129	3,464
Amortisation and impairment losses					
At 1 January 2006	128	140	30	—	298
Amortisation charge for the year	—	265	20	16	301
Impairment losses	—	518	4	—	522
On disposal on transfer from the with-profit funds	—	(96)	—	—	(96)
At 31 December 2006	128	827	54	16	1,025
Carrying amount					
At 31 December 2006	209	2,045	72	113	2,439
Amount recoverable after 12 months	209	1,724	57	84	2,074

Goodwill is not amortised. Other intangible assets have finite lives. Acquired in-force business and deferred acquisition costs are amortised over periods of up to 50 years on a basis which reflects the anticipated emergence of profits from the underlying business written.

Additions to other intangible assets include £30 million in respect of the acquisition of the protection broker consultant business of Abbey National plc (note 46). This is being amortised over 4 years on a straight line basis.

The amortisation charge for the year is included in administrative expenses within the income statement with the exception of the amortisation of acquired in-force business which is shown as a separate line item within the income statement. The recoverable amount of acquired in-force business is its value in use.

Information relating to the recoverable goodwill of the Group's cash generating units is given below.

Life division

The carrying amount of goodwill allocated to the life division is £65 million. The recoverable amount has been determined on the value in use basis, by comparison with the value of the in-force business of the life division, calculated in accordance with European Embedded Value (EEV) methodology, after deducting the carrying value of the acquired in force business, less deferred tax.

Asset management

The carrying amount of goodwill allocated to the asset management business is £134 million. The recoverable amount has been determined on the value in use basis, by evaluating the expected cash flows arising from the business in the future. The key assumptions used in estimating these cashflows are movements in funds under management, fee income, inflation and discount rate. The funds under management relating to the policyholder assets of the Group are assumed to decrease in line with the expected run-off of the related policies. Other funds under management are assumed to increase in line with inflation. Fee income and expense inflation have been set with reference to past experience and are consistent with external rates.

The cashflows have been projected for 25 years, reflecting the continuing nature of the underlying funds under management, including those of the policyholder assets of the Group. The cashflows have been discounted at 7%.

Management services

The carrying amount of goodwill allocated to the management services business is £10 million. The recoverable amount has been determined on the value in use basis, by evaluating the expected cash flows arising from the business in the future. The key assumptions used in estimating these cashflows are fee income, inflation and the discount rate. Fee income is assumed to decline gradually in line with the run off of policyholder liabilities under the existing management services agreement structure with the life division. The cashflows have been projected for 10 years and have been discounted at 7%.

36. Deferred acquisition costs

	Insurance Contracts	Investment Contracts	Total
	£m	£m	£m
At 1 January 2007	27	45	72
Additions	22	—	22
Amortisation charge	(7)	(8)	(15)
At 31 December 2007	42	37	79
At 1 January 2006	37	47	84
Additions	—	12	12
Amortisation charge	(6)	(14)	(20)
Impairment losses	(4)	—	(4)
At 31 December 2006	27	45	72

37. Investment property

	2007	2006
	£m	£m
At 1 January	**2,705**	2,356
Additions	**49**	253
Improvements	**1**	10
Disposals	**(49)**	(141)
Unrealised (losses)/gains	**(296)**	227
At 31 December	**2,410**	2,705

Investment property is stated at fair value and is independently valued in accordance with the Royal Institute of Chartered Surveyors' guidelines on the basis of the open market value of such properties.

The rental income arising from investment properties during the year amounted to £145 million (2006: £110 million), which is included in net investment income. Direct operating expenses (included within other administrative expenses) in respect of such properties amounted to £8 million (2006: £1 million).

38. Financial assets

	2007	2006
	£m	£m
Loans and deposits at amortised cost	**804**	732
Financial assets at fair value through profit or loss		
Held for trading — derivatives	**297**	208
Designated upon initial recognition	**45,857**	50,966
	46,958	51,906
Amount recoverable after 12 months	**34,354**	27,380

39. Stocklending

The Group lends listed financial assets held in its investment portfolio to other institutions. The Group conducts its stocklending programme only with well-established, reputable institutions in accordance with established market conventions.

The financial assets do not qualify for derecognition as the Group retains all the risks and rewards of the transferred assets except for the voting rights. The carrying amounts of listed financial assets lent out at the reporting date that have not been derecognised are £7,607 million (2006: £5,268 million).

It is the Group's practice to obtain collateral in stocklending transactions, usually in the form of cash or marketable securities. This collateral is held on behalf of the Group and is not recognised in the balance sheet. The fair value of financial assets accepted as collateral amounts to £8,152 million (2006: £5,645 million). The Group is not permitted to sell or re-pledge the collateral held in the absence of default.

40. Loans and deposits

	2007 £m	2006 £m
At 1 January	**732**	359
Acquisitions through business combinations	**—**	377
Additions	**726**	247
Repayments	**(654)**	(251)
At 31 December	**804**	732
Amount due for recovery after 12 months	**55**	193

Substantially all of the loans and deposits are at variable interest rates. The carrying amounts approximate to fair value at the balance sheet date.

41. Derivatives

The Group purchases derivative financial instruments in connection with the management of its insurance contracts and investment contracts liabilities, based on the principles of reduction of risk and efficient portfolio management.

Where the Group has entered into collateral arrangements to provide security against the maturity proceeds of derivative financial instruments, which include a legal right of set off and it is intended that settlement will be made on a net basis, the value of the derivatives and the related collateral are presented on a net basis within trade and other payables (note 32) and trade and other receivables as appropriate. For all such arrangements, interest is payable on the amounts owed based on the Sterling Overnight Index Average.

Where collateral has been pledged by the Group and the right of set off is only enforceable on the occurrence of a particular future event then the pledged asset continues to be recognised by the Group. On the same basis the Group does not recognise collateral pledged by counterparties.

The amount of collateral pledged by and to the Group was £162 million (2006: £85 million) and £180 million (2006: £273 million) respectively.

The fair values of derivative financial instruments at the end of 2007, for which the value of collateral arrangements have not been recognised, are as follows:

	2007 Assets	2007 Liabilities	2006 Assets	2006 Liabilities
	£m	£m	£m	£m
Options on interest rate swaps	**74**	**—**	179	—
OTC options	**—**	**—**	20	—
Equity futures	**—**	**—**	6	—
Stock index futures	**2**	**2**	3	—
Swaps	**221**	**300**	—	2
Forward currency instruments	**—**	**1**	—	—
	297	**303**	208	2

The amount recoverable after one year is £274 million (2006: £179 million). The amount payable after one year is £300 million (2006: £nil).

Hedges against movements in the cost of policy guarantees

The long term business funds have an economic exposure to costs of guarantees attributable to equity returns, interest rate movements and foreign exchange rate movements.

The following types of guarantees exist on contracts written by the Group's life companies:

- Maturity guarantees on conventional with-profit (CWP) policies and Market Value Adjustment (MVA) free guarantees on unitised with-profit (UWP) policies;
- CWP pensions maturity guarantees with guaranteed annuity options;
- CWP deferred annuity contracts with guaranteed commutation options; and
- Guaranteed benefits on non-participating business.

During 2007, the Group closed out the bespoke derivative contracts previously held with Abbey National Treasury Services plc and purchased a series of Over The Counter (OTC) options.

The various equity options, interest rate swaps, interest rate swap options and exchange traded equity futures were chosen so as to hedge against movements in the cost of policy guarantees attributable to a change in economic conditions.

Equity options

Equity options are used to hedge against movements in the cost of policyholder guarantees associated with certain with-profit contracts as a result of equity market movements.

Forward currency contracts

A small number of forward currency contracts are held for efficient portfolio management purposes.

Swaps

Fixed interest assets are generally matched to the liabilities they are backing, in order to protect against the impact of interest rate movements on the cost of maturity guarantees and guaranteed annuity options. A bond portfolio benchmark is used to give a reasonable overall duration match with interest rate swaps being used in some funds to hedge residual interest rate risk at key duration points.

Inflation swaps are held to protect against the impact of changes in the rate of inflation on the cost of certain index-linked annuities in payment and maintenance expenses.

Cross-currency swaps are held to protect against currency risk where non-sterling fixed-interest assets are held.

Interest rate swap options

Interest rate options are used to hedge against movements in the cost of policyholder guarantees associated with certain with-profit contracts which have a guaranteed annuity rate applying.

Stock index futures

A small number of stock index futures are held, mainly for efficient portfolio management purposes, though strategic positions may be held in order to reduce the impact of equity movements on the costs of guarantees on CWP business.

Equity futures

These are held to hedge against movements in the cost of policyholder guarantees associated with certain with-profit contracts as a result of equity market movements.

Maturity of derivatives

The derivative types and range of maturity dates are set out below:

Derivative Type	Maturity Date Range
OTC Options	June 2008 — June 2027
Swaps	June 2008 — June 2047
Options on interest rate swaps	March 2008 — December 2047
Equity futures	Rolled forward every 3 months
Stock index futures	Rolled forward every 3 months
Forward currency contracts	Rolled forward every 3 months

The various derivatives are not individually allocated against policy guarantees, rather the aggregate of all derivatives held are designed to hedge against movements in the aggregate cost of policy guarantees.

The effectiveness of the hedge against movements in the cost of policyholder guarantees is assessed at least twice a year.

Collateral arrangements

Where there is a legal right of set off against the relevant derivative, and because it is intended that settlement will be on a net basis, all collateral creditors are presented on a net basis within trade and other payables (note 32) and collateral debtors forming part of trade and other receivables.

The fair values of derivative financial instruments (the market value on a bid basis) at the end of 2007 (and 2006) are as follows:

As at 31 December 2007

	Notional Amount	Assets	Liabilities	Collateral	Net Collateral Debtors	Net Collateral Creditors
		£m	£m	£m	£m	£m
OTC vanilla contracts						
Equity options	**1,700**	**276**	**—**	**291**	**—**	**(15)**
Interest rate swaps	**5,084**	**4**	**(27)**	**(24)**	**4**	**(3)**
Interest rate swaptions	**1,750**	**80**	**—**	**86**	**—**	**(6)**
Equity forward contracts	**755**	**603**	**—**	**603**	**1**	**(1)**
Total	**9,289**	**963**	**(27)**	**956**	**5**	**(25)**

As at 31 December 2006

	Notional Amount	Assets	Liabilities	Collateral	Net Collateral Debtors	Net Collateral Creditors
		£m	£m	£m	£m	£m
OTC bespoke options						
Type 1	4,160	165	—	207	—	(42)
Type 2	639	233	—	286	—	(53)
Type 3	578	179	—	221	—	(42)
Equity forward contracts	558	346	—	358	—	(12)
Total	5,935	923	—	1,072	—	(149)

Where transactions are with the same counterparty and the conditions for offset are met, the net asset or liability position is shown in the table above.

The market value has been calculated using certain observable market data (the yield curve as at the valuation date). Where market data is not directly observable (for example, the volatility of future interest rates and equity returns) these are derived from observed market prices of similar instruments.

42. Tax assets and liabilities

	2007	2006 (restated)
	£m	£m
Current tax receivables	**157**	59
Total tax assets	**157**	59
Current tax payables	**(130)**	(169)
Net deferred tax liabilities	**(857)**	(982)
Total tax liabilities	**(987)**	(1,151)

Deferred tax assets comprise:

	2007 £m	2006 £m
Losses, expenses and deferred acquisition costs carried forward	**237**	106
Provisions and other timing differences	**17**	20
Other	**22**	4
Total deferred tax assets	**276**	130

Deferred tax liabilities comprise:

	2007 £m	2006 (restated) £m
Acquired in-force business	**(666)**	(727)
Unrealised gains on investments	**(112)**	(152)
Surplus within the non-profit funds	**(163)**	(131)
On profit arising from the changes in assumptions used for determining insurance contracts liabilities in accordance with PS 06/14	**(107)**	(91)
Other	**(85)**	(11)
Total deferred tax liabilities	**(1,133)**	(1,112)
Net deferred tax liabilities	**(857)**	(982)

Movements in deferred tax liabilities comprise:

	2007 £m	2006 (restated) £m
At 1 January, as previously reported		(789)
Prior year adjustment (note 2)		31
At 1 January, as restated	**(982)**	(758)
Acquisitions through business combinations		(397)
Amounts charged to the income statement	**132**	154
Amounts (charged)/credited to the statement of recognised income and expense	**(5)**	2
Other adjustments	**(2)**	17
At 31 December	**(857)**	(982)

Deferred tax has been provided on the surpluses within the non-profit funds on the assumption that all such surpluses will eventually be distributed to equity holders.

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable.

Deferred income tax assets have not been recognised in respect of tax loss carry forwards of £578 million (2006: £686 million) and excess expenses and deferred acquisition costs carried forward of £867 million (2006: £401 million) as there is insufficient certainty as to the availability of future profits. In addition the Group has unrecognised capital tax losses of £102 million (2006: £60 million) which can only be offset against capital gains. These have no expiry date.

43. Cash and cash equivalents

	2007 £m	2006 £m
Bank and cash balances	**2,845**	2,074
Short term deposits (including demand and time deposits)	**2,160**	1,820
	5,005	3,894

All deposits are subject to fixed interest rates. The carrying amounts approximate to fair value at the balance sheet date.

44. Asset held for sale

The asset classified as held for sale comprises the Group's property at Albert Dock, Liverpool. The Group announced the closure of its Liverpool office in June 2006 and the property has largely been vacated and is currently being marketed. It is anticipated that disposal will be completed during 2008. The property is included within the life division for segment reporting purposes.

45. Cash flows

(a) Cash flows from operating activities

	2007 £m	2006 £m
Profit before tax for the year	**3**	482
Non-cash movements in profit before tax for the year		
Realised losses/(gains) on the sale of:		
Investment property	**—**	11
Financial assets	**(292)**	(2,269)
Unrealised losses/(gains) on:		
Investment property	**296**	(227)
Financial assets	**239**	1,507
Depreciation of property, plant and equipment	**2**	4
Amortisation of intangible assets	**274**	301
Impairment of intangible assets	**—**	522
Net decrease/(increase) in working capital	**1,861**	(1,102)
Net decrease/(increase) in operating assets and liabilities	**2,383**	(771)

(b) Cash flows on acquisition of business/subsidiaries

	2007 £m	2006 £m
Consideration settled in cash	**30**	3,600
Acquisition costs	**—**	34
	30	3,634
Cash and cash equivalents of acquiree	**—**	(4,522)
	30	(888)

46. Acquisition

On 28 September 2007 the Group completed the acquisition of the business and assets of the protection broker consultant business of Abbey National plc. The business and assets acquired comprised approximately 65 brokerages including the marketing, sales and technical information of the business and property, plant and equipment. The acquisition was effected by Resolution Management Services Limited, a Group company, for a consideration of £30 million, paid in cash. The consideration was funded from the Group's existing resources. The acquisition costs were not material.

The acquiree's net assets at the date of acquisition were as follows:

	Carrying Amounts	Fair Value Adjustments	Fair Values
	£m	£m	£m
Intangible assets	—	30	30
Net identifiable assets and liabilities	—	30	30

	Fair Values
	£m
Fair value of consideration	
Consideration settled in cash	30
Acquisition costs incurred	—
	30

The profit of the business for the period from the date of acquisition to 31 December 2007 was not material. If the acquisition had taken place with effect from 1 January 2007 the estimated gross premiums written and profit after income taxes would not have been materially different from the amounts reported in the financial statements.

In 2006 the Group acquired 100% of the life businesses of Abbey National plc. Information relating to this acquisition is given in the Group's consolidated financial statements for 2006.

47. Operating leases

Operating lease rentals charged within administrative expenses amounted to £6 million (2006: £5 million).

As at 31 December 2007, the Group had commitments under non-cancellable operating leases as set out below:

	2007	2006
	£m	£m
Not later than one year	6	5
Later than one year and no later than five years	6	4
Later than five years	4	4

The principal operating lease commitments include:

- A lease relating to Britannic Court, Glasgow currently occupied by the asset management division. The lease expires in December 2014, but is subject to a break clause at the end of 2012. At either of these times the asset management division can vacate the building without penalty. There is no purchase option within the lease. The rent is based on current market value and is reviewed on a five yearly basis. The current rental figure was set in November 2004.

- A lease relating to St. Vincent Street, Glasgow currently occupied by the life division. The lease expires in December 2020. There are no exit clauses in the lease. It is based on current market value and is reviewed twice yearly in each year of the term. The current rental figure was set in August 2006.

48. Related party transactions

The Group has related party relationships with its pension schemes, the Resolution Foundation, Citibank International plc, RBS Trustee and Depositary Services, directors and other members of the Group Executive Committee.

Information on transactions with the pension schemes is included in note 33.

(a) Transactions with key management personnel

Major Group decisions are made by the Board and the Group Executive Committee. Transactions with directors are given in the remuneration report and transactions with other Group Executive Committee members are as follows:

	2007	2006
	£000	£000
Remuneration including salaries, bonuses and other benefits	**2,768**	1,962

Pension benefits

	Accrued Benefit At 31 December 2007	Accrued benefit at 31 December 2006
	£000	£000
Defined benefit scheme	**28**	19

	Contributions made in the year 31 December 2007	Contributions made in the year 31 December 2006
	£000	£000
Defined contribution scheme	**257**	139

Directors and Group Executive Committee members are also eligible to participate in the share option schemes described in note 17. Details of the director's interests in share options are given in the Remuneration report; the other Group Executive Committee members have the following interests in share options:

	Share Save Options at		Executive Share Options		LTIP Share Options	
	31 December 2007 No.	31 December 2006 No.	31 December 2007 No.	31 December 2006 No.	31 December 2007 No.	31 December 2006 No.
Interests in share options	**23,821**	22,629	—	41,813	**694,452**	466,024

Directors and Group Executive Committee members hold long term insurance and/or investment contracts with subsidiary companies of the Group. These policies are on the same or similar terms that are available to other employees of the Group. The Board has considered the financial effect of such insurance policies and other transactions with Group companies and has concluded that they are not material to the Group or the individuals concerned and, if disclosed, would not influence decisions made by users of these financial statements.

(b) Transactions with the Resolution Foundation

The Resolution Foundation was set up by the Chairman of Resolution plc, Clive Cowdery, as a separate entity. It uses some Resolution plc services and facilities and shares office accommodation at the Group's head office in London. These services are charged on an arm's length basis which in 2007 amounted to £24,000 (2006: £24,000). Clive Cowdery waived any fee to which he would otherwise have been entitled in the year as chairman of the Company; instead the Company donated £400,000 (2006: £400,000) to the Resolution Foundation.

(c) Transactions with Citibank International plc

A Group investment management subsidiary, Resolution Fund Managers Limited, derives its income as a manager of Resolution Unit Trusts and OEICs.

The aggregate total transactions with Citibank International plc, the trustee for certain unit trusts, were £4,246 million (2006: £4,179 million) for unit creations and £2,736 million (2006: £1,852 million) for unit liquidations. The amount due to Citibank International plc at 31 December 2007 was £39 million (2006: £21 million).

(d) Transactions with RBS Trustee and Depositary Services

Two of the Group's investment management subsidiaries, Resolution Fund Managers Limited and Scottish Mutual Investment Managers Limited, derive their income as managers of Resolution Unit Trusts and OEICs.

The aggregate total transactions between Resolution Fund Managers Limited and RBS Trustee and Depositary Services, a trustee for certain OEICs, were £625 million (2006: £nil) for unit creations and £2,385 million (2006: £nil) for unit liquidations. The amount due from RBS Trustee and Depositary Services at 31 December 2007 was £nil (2006: £nil).

The aggregate total transactions between Scottish Mutual Investment Managers Limited and RBS Trustee and Depositary Services, a trustee for certain unit trusts, were £47 million (2006: £nil) for unit creations and £560 million (2006: £nil) for unit liquidations. The amount due from RBS Trustee and Depositary Services at 31 December 2007 was £nil (2006: £nil).

49. Contingent liabilities

(a) Acquisition of the Royal & Sun Alliance companies

Following the acquisition of the Royal & Sun Alliance life companies the shares in Phoenix Life Limited (formerly Royal & Sun Alliance Linked Insurances Limited) and certain loans were transferred from the non-profit fund to the shareholder fund of PA (GI) Limited (formerly Phoenix Assurance Limited) at their admissible regulatory value. HM Revenue & Customs (HMRC) has challenged the tax treatment of these transfers in the year ended 31 December 2004 and litigation may follow. The directors consider it not probable that an additional tax liability will arise as a result of HMRC's enquiry. However, were HMRC's challenge to be successful, Resolution expects that the liability (before interest and penalties) would not exceed £70 million.

(b) Acquisition of the Allianz Cornhill long-term business

HMRC has also raised a specific enquiry in connection with the tax treatment of the acquisition of life business and assets from Allianz Cornhill Insurance plc in December 2005, in connection with which HMRC has requested certain information and documentation. The full amount of tax (before interest and penalties) which HMRC may seek to impose is estimated by Resolution to be up to £30 million. However,the directors consider it is not probable that any such tax is likely to be payable as a result of HMRC's enquiry.

(c) Proposed acquisition by Pearl Group

At 31 December 2007 the Group had a contingent liability totalling £28 million in respect of fees that will become payable to the Group's professional advisers upon completion of the acquisition of the Group by Impala Holdings Limited, a subsidiary of the Pearl Group.

50. Events after the balance sheet date

(a) Acquisition by Impala Holdings Limited

On 16 November 2007, the Boards of directors of the Company and Pearl Group Limited (Pearl) announced that they had agreed the terms of a recommended acquisition by Impala Holdings Limited, a subsidiary of Pearl, of the entire issued and to be issued share capital of the Company (the Acquisition). At Court and General Meetings of the Company held on 9 January 2008, shareholders approved the implementation of the acquisition by scheme of arrangement under section 425 of the Companies Act 1985.

Approval of the change of control of the Company was given by the Financial Services Authority on 16 April 2008 and the scheme of arrangement was sanctioned by the Court on 28 April 2008. The effective date of the scheme of arrangement is expected to be 1 May 2008.

(b) Share options

The proposed acquisition of the Group by Impala Holdings Limited will trigger changes to the Group's share schemes. The changes have been announced to management and staff and certain changes to the share schemes have been made by the Group's remuneration committee in anticipation of the acquisition. Information on the effect of this together with the related costs is set out below.

Executive share option scheme

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

Save As You Earn scheme (SAYE)

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

Long Term Incentive Plans (LTIP)

Participants in the LTIP will be 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 and no pro-rating taking place for the proportion of the vesting period that has elapsed. The full award will be subject to the relevant performance conditions being met and to the discretion of the Remuneration Committee.

Share matching plan (SMP)

Participants in the SMP will be 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 and no pro-rating taking place for the proportion of the vesting period that has elapsed.

Financial impact

The total charge in respect of the share schemes has been estimated at £17 million. Taking into account the amount held in the share options reserve of £6 million will result in a net impact on equity holders' funds of £11 million, before tax relief.

In addition, the Group has undertaken to compensate SAYE option holders in cash for the loss of benefit in respect of lapsed share options and to bear the cost of income tax and national insurance that would otherwise fall on option holders from the early vesting of the share option schemes. The estimated cost of this to the Group is £3 million before tax relief.

(c) Asset Management long term incentive plan

Since the end of the financial year changes to the long term incentive plan of the asset management division have been made as a result of the proposed acquisition of the Group by Impala Holdings Limited.

Entitlements vesting under the plan in 2008 and entitlements that had previously vested under the plan but had not been paid were redeemed on 27 March 2008 on the basis of an independent valuation of the plan with an effective date of 30 June 2007. The entitlement to vested units was not conditional on the proposed acquisition of the Group. Members of the plan were able to elect to defer payment until 30 September 2008 in which event their entitlements will be enhanced for six months' interest at base rate.

Subject to the successful acquisition of the Group by Impala Holdings Limited, entitlements under the plan that had not vested on 27 March 2008 will crystallise in full on the date of acquisition, based on an independent valuation of the plan with an effective date of 30 June 2007. These entitlements will be enhanced for six months' interest at base rate and the resulting amounts paid on 30 September 2008, except in certain circumstances including where a member of the plan resigns or is dismissed prior to the date of payment.

The estimated cost of the total entitlements under the plan amounts to £9 million. The provision for benefits accruing under the plan amounted to £7 million as at 31 December 2007 and the additional cost of £2 million will be recognised in 2008.

51. Risk management policies

The Group is exposed to a number of risks in its business including those arising from underlying assets and liabilities and its capital position. This section summarises these risks and the risk management approaches and methodologies the Group applies.

(a) Risk management overview

(i) Risk governance framework

The primary objective of the Group's governance framework is to protect it from events that hinder the sustainable achievement of the Group's performance objectives, including the failure to exploit opportunities. The directors recognise the critical importance of having efficient and effective risk management systems in place.

The Group has an established risk management function along with clear terms of reference for the Board, its committees and the associated executive management committees. A clear organisation structure with documented, delegated authorities and responsibilities from the Board to executive management committees and senior managers is in place. A Group policy framework is also in place, which sets out the risk appetite of the Group, together with risk management, internal control and business conduct standards for the Group's operating units. Each policy is the responsibility of a member of senior management who is charged with overseeing compliance with the policy throughout the Group.

The Board has approved the Group risk management policies and meets regularly to approve any commercial, regulatory and internal organisational requirements arising from the policies. The policies define:

- the Group's identification of risk and its interpretation;
- required structures to ensure the appropriate quality and diversification of assets in the context of the liabilities;
- alignment of the reinsurance strategy to the corporate goals;
- the Group's approach to ensuring that its customers are treated fairly; and
- reporting requirements.

(ii) Regulatory framework

A significant element of the Group's life insurance business comprises policies where the investment risk is borne by policyholders. Risk attributable to policyholders is actively managed, keeping in view their investment objectives and constraints.

The Group's business is subject to regulation by the Financial Services Authority (FSA). The FSA has broad regulatory powers dealing with all aspects of financial services including, among other things, the authority to grant and, in specific circumstances, to vary or cancel permissions to carry out particular activities. The FSA is responsible for ensuring that Group companies treat customers fairly, including the investigation of past marketing and sales practices.

The FSA is also responsible for ensuring that the Group and its individual regulated companies maintain an appropriate level of capital to enable them to meet liabilities arising from reasonably foreseeable extreme events.

The Directors believe each of the regulated businesses within the Group dedicates sufficient resources to its compliance programme; responds to regulatory enquiries in an appropriate way; and takes corrective action when warranted.

(iii) Capital management framework

The Group has developed a capital management framework using Individual Capital Assessment (ICA) principles for identifying the risks to which each of its business units and the Group as a whole are exposed and quantifying their impact on capital. The ICA process estimates the level of capital the Group should retain

to ensure that there is only an extremely small risk that the Group will be unable to meet its liabilities. The capital required is calculated based on extreme but foreseeable risk events over a 1-year timeframe. Although the ICA is an internal process, the FSA may use ICA information in discussing the target capital levels it believes the Group and all of its insurance businesses should have available.

Internal capital support arrangements

The Group has in place capital support arrangements with certain of its subsidiary companies. Details of these arrangements are given in note 28.

(iv) Asset liability management (ALM) framework

The Group's life division has entered into contracts that transfer insurance or investment risk or both from policyholders to the Group. Investment risks undertaken by the Group are managed by selecting appropriate asset matching strategies. These strategies seek to eliminate or reduce the risks the Group is exposed to but some residual exposures may remain. In some instances the Group may decide to deviate from close asset matching strategies but will ensure that the risks and rewards of taking such action are appropriate.

The Group has substantial exposure to fixed interest securities, equity and property through its constituent life insurance companies. While the investment risk is often borne by or shared with, policyholders, fluctuations in the fixed income equity and property markets will directly or indirectly affect the Group's financial results, the value of the life operations and the capital requirements of the life business.

Within the asset management business, income is primarily derived from an ad valorem charge on the assets under management. If the value of assets is adversely affected by movements in markets or by performance within the funds this may lead to reduced operating profit within the business of the Group.

The Group manages these positions within an asset liability management (ALM) framework that has been developed to ensure long term investment returns meet obligations under insurance and investment contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

(b) Financial and insurance risk management

(i) Financial risk

Transactions in financial instruments may result in the Group assuming financial risks. These include credit risk, market risk and liquidity risk. Each of these is described below, together with a summary of how the Group manages them.

A. Credit risk

Credit risk is the risk of loss resulting from the failure of a counterparty to perform its financial obligations or to perform them in a timely fashion. These financial obligations can relate to both on and off balance sheet assets and liabilities.

The Group is exposed to the following main types of credit risk:

- Credit risk resulting from investment activities, including investments in fixed interest securities, equities, derivatives, collective investment vehicles, hedge funds and the placing of cash deposits;
- Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, reinsurance, exposure from material suppliers and the purchase of derivatives;

- Credit risk resulting from investment activities associated with the Group's free resources; and
- Credit risk resulting from contingent liabilities arising as a result of new acquisitions.

The Group manages the level of credit risk it accepts through comprehensive divisional credit risk tolerances. A Group credit risk policy sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and significant exposures and breaches are reported to the Group risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Reinsurance is placed with counterparties that have appropriate credit ratings and concentration of risk is avoided, where possible, by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of the creditworthiness of reinsurers in order to update the reinsurance purchasing strategy and to ascertain suitable allowances for impairment.

The Group sets the maximum amounts that may be advanced to corporate counterparties by reference to their long term credit ratings.

The credit risk borne by the shareholder on with-profit policies is minimal. The bonuses to with-profit policyholders are designed to distribute to policyholders a fair share of the return on the assets in the with-profit funds together with other elements of the experience of the fund. With-profit policies are managed such that bonuses distributed to the policyholder are smoothed by building and dissolving returns over the years. The shareholders of the Group are entitled to receive one-ninth of the cost of bonuses declared for some with-profit funds and nil for others. In certain circumstances support to the with-profit fund may be provided by the non-profit or shareholder funds. The process for exercising discretion in the management of the with-profit funds is set out in the principles and practices of financial management ("PPFM") for each with-profit fund and is overseen by with-profit committees.

The table below provides information regarding the credit risk exposure of the Group at 31 December 2007 by classifying financial and reinsurance assets according to Standard and Poors and Moodys credit ratings of the counterparties.

As at 31 December 2007

	AAA	AA	A	BBB	BB and Below	Not Rated	Total
	£m	£m	£m	£m	£m	£m	£m
Loans and deposits	**169**	**59**	**409**	**—**	**—**	**63**	**700**
Derivative assets	**—**	**255**	**20**	**—**	**—**	**23**	**298**
Fixed income securities	**16,641**	**1,726**	**4,117**	**1,327**	**50**	**153**	**24,014**
Reinsurance assets							
i. Reinsurers' share of insurance and investment contract liabilities	**—**	**1,246**	**1,699**	**147**	**5**	**122**	**3,219**
ii. Reinsurance receivables	**—**	**95**	**13**	**—**	**1**	**8**	**117**
Cash and cash equivalents	**2,320**	**81**	**3,212**	**—**	**—**	**472**	**6,085**

As at 31 December 2006

	AAA	AA	A	BBB	BB and Below	Not Rated	Total
	£m	£m	£m	£m	£m	£m	£m
Loans and deposits	122	37	323	—	—	55	537
Derivative assets	—	181	—	—	—	24	205
Fixed income securities	17,309	1,865	4,389	1,198	36	307	25,104
Reinsurance assets							
i. Reinsurers' share of insurance and investment contract liabilities	—	1,261	1,679	146	2	108	3,196
ii. Reinsurance receivables	—	64	7	—	—	22	93
Cash and cash equivalents	1,719	353	2,713	—	—	650	5,435

(source of credit ratings — Standard & Poors/Moodys.)

Assets backing unit-linked business have been excluded from these tables as the credit risk on such financial assets is borne by the policyholders. Shareholder credit exposure on unit-linked assets is limited to the level of asset manager fee which is dependent on the underlying assets. In certain circumstances the shareholder funds may be used to re-establish unit-linked assets in line with regulatory and policyholder expectations.

Credit ratings have not been disclosed in the above table for equities. Whilst the Group is exposed to the impact of credit default on its equity holdings, this risk is not considered significant due to the spread of holdings.

Non-equity based derivatives are included in the credit risk table above and are subject to appropriate collateral arrangements.

Credit risk in relation to fixed income securities and cash and cash equivalents has been assessed on a look through basis where the exposure to the securities is via collective investments vehicles.

It is also the Group's policy to maintain accurate and consistent internal risk ratings across its asset portfolio. This enables management to focus on the applicable risks and to compare credit exposures across all lines of business, geographical regions and products. The rating system is supported by a variety of financial analytics combined with market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories of assets and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

Concentration of credit risks

Concentration of credit risk might exist where the Group has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The Group has most of its counterparty risk within its life and pension business and this is monitored by the counterparty limits contained within the company's investment guidelines and investment management agreements, overlaid by regulatory requirements.

The long term business the Group writes is not generally exposed to significant concentrations of credit risk due to the restrictions imposed by regulatory requirements and limits set for investments in individual assets and asset classes.

The Group is also exposed to concentration risk with individual reinsurers and service outsourcers. This is due to the nature of the service market and the restricted nature of insurers that have acceptable credit ratings. The Group operates a policy to manage reinsurance and service outsourcer counterparty exposures and

the impact from default is reviewed regularly by executive committees and measured through the ICA stress and scenario testing.

The majority of the Group's investment securities are listed and can be easily priced in line with publicly available valuations. The Group has limited exposure to unlisted securities. Where unlisted securities are held their valuation is determined from specialised brokers. Moreover, derivative contracts are priced by a recognised counterparty in that field. The value of any unlisted security held is tracked on management reports and any material variances are reported to the Life Division Asset Liability Committee.

The impact of non-government fixed interest securities and, *inter-alia* the widening of market credit spreads during 2007 are fully reflected in the values shown in these financial statements. Similarly, the value of derivatives that the Group holds takes into account fully the changes in swap spreads. The Group does not have any holdings of credit derivatives, such as Collateralised Debt Obligations, or any other assets for which a valuation cannot be established.

Some of the Group's commercial property investments are held through a unit trust managed by Resolution Asset Management. This unit trust has the power to restrict and or suspend withdrawals, which would, in turn, affect liquidity. To date, the unit trust has continued to process both investments and realisations in a normal manner and has not imposed any restrictions or delays.

Resolution's Life Division throughout the year had exposure to significant amounts of short-term money market instruments. As a direct result of the credit crisis in the second half of 2007, two of these assets defaulted on maturity. The profit for the year before income taxes reflects an estimated £10 million write-down in the value of those investments as a result of the defaults. The Company has no other material assets which have been impaired or are past due in 2007 or 2006.

The amount disclosed in the balance sheet in respect of financial assets, excluding those that back unit-linked liabilities, represents the Group's maximum exposure to credit risk.

Collateral

The credit risk of the Group is mitigated, in certain circumstances, by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending and to provide security against the maturity proceeds of derivative financial instruments. Management monitors the market value of the collateral received, requests additional collateral when needed and performs an impairment valuation when impairment indicators exist and the asset is not fully secured.

Further detail on collateral is given in notes 39 and 41.

B. Liquidity risk

Liquidity risk is defined as the failure of the Group to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. The Group has exposure to liquidity risk as a result of servicing its external debt and equity investors, and the requirements of its divisions. The Group's divisions have exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash-flow requirements.

The Group Board has defined a number of governance objectives and principles and the liquidity risk frameworks of each division are designed to ensure that:

- Liquidity risk is managed in a manner consistent with the subsidiary Board's strategic objectives, risk appetite and principles and practices of financial management (PPFM);

- The quality of profits are appropriately managed and the reputation of the Group is safeguarded; and
- Appropriate information on liquidity risk is available to those making decisions.

The Group's policy is to maintain sufficient liquid assets of suitable credit quality at all times and, where appropriate, to have access to borrowings so as to be able to meet all foreseeable current liabilities as they fall due in a cost-effective manner. Forecasts are prepared regularly to predict required liquidity levels over both the short and medium term allowing management to appropriately respond to changes in circumstances.

The table below summarises the maturity profile of the financial liabilities and insurance contract liabilities of the Group. The basis of preparation is such that investment contracts and insurance contracts are on a discounted basis consistent with the balance sheet. All remaining financial liabilities are shown on an undiscounted cash basis. Repayments which are subject to notice are treated as if notice were to be given immediately.

The maturity profile of the insurance liabilities is based on the estimated timing of the amounts recognised in the balance sheet.

As at 31 December 2007

	Up to 1 Year	1-5 Years	Greater Than 5 Years	Total
	£m	£m	£m	£m
Insurance liabilities	**4,552**	**13,423**	**16,579**	**34,554**
Investment contracts with DPF(1)	**8,614**	**—**	**—**	**8,614**
Investment contracts without DPF(1)	**8,672**	**—**	**—**	**8,672**
Borrowings	**127**	**120**	**209**	**456**
Deposits received from reinsurers	**26**	**83**	**358**	**467**
Derivative financial liabilities	**3**	**15**	**285**	**303**
Net asset value attributable to unit holders	**577**	**—**	**—**	**577**
Payables(2)	**1,109**	**—**	**20**	**1,129**

As at 31 December 2006

	Up to 1 Year	1-5 Years	Greater Than 5 Years	Total
	£m	£m	£m	£m
Insurance liabilities	3,963	11,700	19,428	35,091
Investment contracts with DPF(1)	10,716	—	—	10,716
Investment contracts without DPF(1)	9,265	—	—	9,265
Borrowings	562	496	220	1,278
Deposits received from reinsurers	24	106	352	482
Derivative financial liabilities	1	—	1	2
Net asset value attributable to unit holders	911	—	—	911
Payables(2)	924	93	95	1,112

(1) Investment contract policyholders have the option to terminate or transfer their contracts at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, the Group does not expect all these amounts to be paid out within one year of the reporting date.

(2) Payables include reinsurance payables, payables related to direct insurance contracts, current tax and trade and other payables.

C. Market risk

Market risk is the risk of changes in the fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group has exposure to market risk as a result of:

- The mismatch between liability profiles and the related asset investment portfolios;
- The investment of 'free resources' including shareholder reserves yet to be distributed, free resources within the with-profit funds and assets held to meet regulatory capital and solvency requirements;
- The asset management and investment activities undertaken by the asset management business under the authorisation of Investment Management Agreements (IMAs) it has received;
- The investment activities undertaken in respect of the asset management business' own products, such as its unitised funds, which are defined in the relevant fund particulars.

The Group structures levels of market risk it accepts through a Group market risk policy that determines: the constituents of market risk for the Group; the basis used to fair value financial assets and liabilities; the asset allocation and portfolio limit structure; diversification from benchmarks by type of instrument and geographical area; the net exposure limits by each counterparty or group of counterparties, geographical and industry segments; control over hedging activities; reporting of market risk exposures and activities; monitoring of compliance with market risk policy and review of market risk policy for pertinence to the changing environment. All operations comply with regulatory requirements relating to the taking of market risk.

Currency risk

The Group's principal transactions are carried out in pounds sterling and therefore its exchange risk is limited principally to foreign operations.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment liabilities. Thus the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment liabilities are expected to be settled and, indirectly, from the earnings of UK companies arising abroad.

Within the life operations with-profit funds have an exposure to overseas assets which is not driven by liability considerations. The purpose of this exposure is to reduce overall risk whilst maximising returns by diversification. This exposure is limited and managed within the financial policy approved by the Asset Liability Management Committee and the Board.

The Group's foreign operations (taken to be those denominated in non-sterling) generally invest in assets in the same currency denomination as their liabilities, so foreign currency mismatch risk between assets and liabilities is largely mitigated. Consequently, the foreign currency risk from the foreign operations mainly arises when the assets and liabilities denominated in a foreign currency are translated into sterling.

Interest rate risk

Interest rate risk is the risk that the value / future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Group's approach to interest rate risk is to manage it by maintaining an appropriate mix of fixed and variable rate instruments including derivatives. The policy also requires it to manage the maturity profile of these assets consistent with the liabilities to policyholders.

The following table summarises the expected pre-tax income from the assets assuming assets are held to redemption and deductions in respect of policyholder and other net liabilities of the non-profit funds of the life divisions as at 31 December 2007 (excluding contractual liabilities met from the unit-linked funds).

Summary by period 31 December 2007

	0-5 Years	5-10 Years	10-15 Years	15-20 Years	20-25 Years	25-40 Years
	£m	£m	£m	£m	£m	£m
Assets	**1,979**	**2,326**	**1,541**	**1,407**	**1,026**	**2,104**
Liabilities	**(1,127)**	**(1,393)**	**(1,425)**	**(1,268)**	**(1,007)**	**(1,860)**
Assets less liabilities	**852**	**933**	**116**	**139**	**19**	**244**

Summary by period 31 December 2006

	0-5 Years	5-10 Years	10-15 Years	15-20 Years	20-25 Years	25-40 Years
	£m	£m	£m	£m	£m	£m
Assets	2,080	2,059	1,700	1,238	1,209	2,594
Liabilities	(1,031)	(1,296)	(1,258)	(1,150)	(977)	(1,622)
Assets less liabilities	1,049	763	442	88	232	972

The above tabular disclosure relates only to non-profit and non-linked funds. With-profit business and non-profit business within with-profit funds are exposed to interest rate risk as guaranteed liabilities are valued relative to market interest rates and investments include fixed interest stocks and derivatives. The profit or loss arising from mismatches between such assets and liabilities is largely or completely offset by increased or reduced discretionary policyholder benefits.

Price risk

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices other than from interest rate and currency fluctuations. This is due to factors specific to individual instruments, their issuers or factors affecting all instruments traded in the market. Accordingly, the Group limits the exposure to any one counterparty in its investment portfolios as well as the relevant foreign markets (refer to credit and currency exposure disclosures for concentration risks impacting price risks).

The portfolio of marketable equity securities, and property investments, which is carried on the balance sheet at fair value, has exposure to price risk. The Group's objective in holding these assets is to earn higher long term returns by investing in a diverse portfolio of high quality equities and properties. Portfolio characteristics are analysed regularly and price risks are actively managed in a number of dimensions. The Group's holdings are diversified across industries, and concentrations in any one company or industry are limited.

Equity and property price risk is primarily undertaken in respect of assets held in with-profit or unit-linked funds. For unit-linked funds this risk is borne by policyholders and asset movements directly impact unit prices and hence policy values. For with-profit funds policyholders' future bonuses will be impacted by the investment returns achieved and hence the price risk. The impact on equity holders' with-profit fund bonuses is covered under the Insurance Risk section. In addition some equity investments are held in respect of equity holders' funds.

At 31 December 2007, traded equity securities of £10,275 million (2006: £10,425 million) and £2,410 million (2006: £2,705 million) of property assets were held.

There is also an exposure to spread changes affecting the prices of corporate bonds and derivatives. This exposure applies to with-profit funds, unit-linked funds, non-profit funds (where risks and rewards fall wholly to shareholders) and to shareholders' funds.

The Group continues to hold derivatives within the with-profit funds to hedge various guarantees attaching to certain with-profit policies. Further information can be found in note 41.

Note 26 Insurance and investment contracts liabilities — assumptions and sensitivities sets out the key sensitivities to the insurance and investment contracts.

(ii) Insurance risk

Long term insurance risk

Insurance risk refers to the risk that the frequency or severity of insured events may be worse than expected and includes expense risk. The Group's Life division contracts include the following sources of insurance risk:

- Mortality — Higher than expected number of death claims on assurance products and occurrence of one or more large claims;
- Longevity — Faster than expected improvements in life expectancy on immediate and deferred annuity products;
- Morbidity — Higher than expected number of serious illness claims or more sickness claims which last longer on income protection policies;
- Expenses — Policies cost more to administer than expected;
- Lapses — The number of policies terminating early is different to that expected in a way which increases expected claims costs or expenses or reduces future profits; and
- Options — Unanticipated changes in policyholder option exercise rates giving rise to increased claims costs.

Risk management objectives and policies for mitigating insurance risk

The Group manages insurance risk within underwriting and pricing limits and by the monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, external data comparisons, sensitivity analyses, scenario analyses and stress testing.

The profitability of the run-off of the closed long term insurance businesses within the Group depends to a significant extent on the values of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

New business written in the open long term insurance businesses within the Group is predominantly protection but also encompasses some unit-linked investment business. The success of new protection business depends on setting the premiums to be paid by the policyholder at a level to meet future benefits payable and

expenses incurred while generating a profit in return for risk borne and capital provided by the shareholder. For unit-linked investment business the charges taken must be sufficient to meet expenses and profit. The premiums and charges are assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

It is therefore necessary for the board of directors of the life division to make decisions, based on actuarial advice, which ensure an appropriate accumulation of assets relative to liabilities. These decisions include investment policy, bonus policy and, where discretion exists, the level of payments on early termination. While the boards of directors of the companies which hold the life business seek to ensure that such decisions are consistent with their regulatory obligations to treat customers fairly, there is a risk that policyholders, regulators or consumer groups may argue that policyholders' interests or reasonable expectations have been adversely affected by such decisions.

Assumptions

The Group monitors the actual claims, persistency and expense experience against the assumptions used and refines the assumptions for the future assessment of liabilities. Experience may vary from estimates, the more so the further into the future it is projected. The life insurance companies evaluate their liabilities at least annually.

Changes in assumptions may also lead to changes in the level of capital required. To the extent that actual experience is less favourable than the underlying assumptions, or it is necessary to increase provisions due to more onerous assumptions, the amount of additional capital required (and therefore the amount of capital which can be released from the businesses) and the ability of the Group to manage its businesses in an efficient manner may be materially adversely affected.

New business premiums are set using assumptions regarding future experience which are generated with reference to the Group's own experience as well as that of the industry as a whole. Writing new business can be capital intensive and volumes are monitored in conjunction with capital available including that released from existing business.

Underwriting and claims management strategy

Closed long term insurance businesses within the Group accept new business where they are contractually obliged to do so and consequently underwriting has been considered in the initial contract development and in subsequent monitoring.

Open long term insurance businesses within the Group actively sell new business, the majority of which is protection products with features set out in the product section below. Underwriting of lives accepted takes place in line with set criteria and a large proportion of the insurance risk is mitigated through the use of reinsurance.

The Group maintains clear policies and procedures in relation to the management and payment of claims including the presentation of suitable reports and certificates to support claims, appropriate payment authorisation limits and regular monitoring of the level of claims received and paid across major product groups.

Reinsurance and other risk reduction strategies

Reinsurance is a mechanism by which the Group transfers away excess risk, especially the risk of very large single death or sickness claims. The Group's strategy is to maintain in force all material reinsurance contracts. New contracts are considered where the risk reduction is justified by the terms.

Guarantees and options

Most life insurance policies contain an element of guarantee and many contain options. These guarantees vary considerably in both quantum and likelihood of being applied. The guarantees and options for material product lines are set out under the different product sections below.

(iii) Managing product risk

The following sections give an assessment of the risks associated with the Group's main life insurance products and the ways in which the Group manages those risks.

A. Protection products

Product features

These contracts are typically secured by the payment of a regular premium payable for a period of years providing benefits payable on certain events occurring within the period. The benefits may be a single lump sum or a series of payments and may be payable on death, serious illness or sickness.

Profits and/or losses mainly arise from claims experience differing from that expected.

The table below indicates the split of protection liabilities at 31 December 2007 between those written in with-profit funds and those directly influencing shareholders' results in non-profit funds and also indicates the liabilities and corresponding reinsurance assets:

31 December 2007

	Liability	Reinsurance Asset
	£m	£m
With-profit funds	**129**	**115**
Non-profit funds	**257**	**305**

31 December 2006

	Liability	Reinsurance Asset
	£m	£m
With-profit funds	241	94
Non-profit funds	1,281	397

Management of product risks

The main risk associated with this product is the claims experience and this risk is managed through the initial pricing of the policy, the use of reinsurance and a clear process for administering claims.

B. Immediate annuities

Product features

This type of annuity is purchased with a single premium at the outset, and is paid to the policyholder for the remainder of their lifetime. Payments may also continue for the benefit of a surviving spouse or partner after the annuitant's death. Annuities may be level, or escalate at a fixed rate, or may escalate in line with a price index and may be payable for a minimum period irrespective of whether the policyholder remains alive.

Profits and/or losses arise mainly when longevity and investment experience vary from that expected.

New annuity contracts are underwritten but only in conjunction with deferred annuity policies which reach the point of retirement.

The table below indicates the split of immediate annuity liabilities at 31 December 2006 between those written in with-profit funds and those directly influencing shareholders' results in non-profit funds and also indicates the liabilities and corresponding reinsurance assets:

31 December 2007

	Liability	Reinsurance Asset
	£m	£m
With-profit funds	**2,124**	**714**
Non-profit funds	**5,938**	**2,400**

31 December 2006

	Liability	Reinsurance Asset
	£m	£m
With-profit funds	2,112	730
Non-profit funds	4,564	1,432

Management of product risks

The main risks associated with this product are longevity and investment risks. Longevity risk arises as the annuities are paid for the lifetime of the policyholder, and is managed through the initial pricing of the annuity and through reinsurance (appropriately collateralised) or transfer of existing liabilities. Annuities may also be a partial 'natural hedge' against losses incurred in protection business in the event of increased mortality (and vice versa).

The pricing assumption for mortality risk is based on both historic internal information and externally generated information on mortality experience, including allowances for future mortality improvements. Pricing will also include a contingency margin for adverse deviations in assumptions.

Investment risk depends on the extent to which the annuity payments under the contracts have been matched by suitable assets which is managed by the Asset/Liability Management Committee. Asset Liability modelling is used to monitor this position on a regular basis. Details of default risk have been covered under the credit risk section.

C. Deferred annuities

Deferred annuity policies are written to provide either a cash benefit at retirement, which the policyholder can use to buy an annuity on the terms then applicable, or an annuity payable from retirement. The policies would contain an element of guarantee expressed in the form that the contract is written in i.e. cash or annuity. Deferred annuity policies written to provide a cash benefit may also contain an option to convert the cash benefit to an annuity benefit on guaranteed terms; these are known as Guaranteed Annuity Rate (GAR) policies. Deferred annuity policies written to provide an annuity benefit may also contain an option to convert the annuity benefit into cash benefits on guaranteed terms; these are known as Guaranteed Cash Option (GCO) policies.

The table below indicates the split of liabilities into these policy types and whether the policy is held within the with-profit or non-profit funds:

31 December 2007

	Policies with Cash Benefits		Policies with Annuity Benefits	
	Non-GAR	GAR	Non-GCO	GCO
	£m	£m	£m	£m
With-profit funds				
Basic policy liability	**3,537**	**3,452**	**1,551**	**1,416**
Option provisions	**—**	**1,169**	**—**	**84**
Non-profit funds				
Basic policy liability	**4,366**	**78**	**557**	**37**
Option provisions	**—**	**28**	**—**	**3**

31 December 2006

	Policies with Cash Benefits		Policies with Annuity Benefits	
	Non-GAR	GAR	Non-GCO	GCO
	£m	£m	£m	£m
With-profit funds				
Basic policy liability	3,347	3,691	1,557	1,586
Option provisions	—	1,436	—	102
Non-profit funds				
Basic policy liability	3,213	26	474	34
Option provisions	9	5	—	4

In relation to deferred annuities there are no material reinsurance assets other than £382 million (2006: £432 million) for the ex Alba Life fund within Phoenix Life Limited.

Management of product risks

During the last decade, interest rates and inflation have fallen and life expectancy has increased more rapidly than originally anticipated. Deferred annuity policies which are written to provide annuity benefits are managed in a similar manner to immediate annuities and are exposed to the same risks.

The guaranteed terms on GAR policies are more favourable than the annuity rates currently available in the market for cash benefits. The guaranteed terms on GCO policies are not currently valuable.

The option provisions on GAR policies are particularly sensitive to downward movements in interest rates, increasing life expectancy and the proportion of customers exercising their option. Adverse movements in these factors could lead to a requirement to increase reserves which could adversely impact profit and potentially require additional capital. In order to address the interest rate risk (but not the risk of increasing life expectancy or changing customer behaviour with regard to exercise of the option), insurance subsidiaries within the Group have purchased derivatives that provide protection against an increase in liabilities and have thus reduced the sensitivity of profit to movements in interest rates.

The Group seeks to manage this risk in accordance with both the terms of the issued policies and the interests of customers, and has obtained external advice supporting the manner in which it operates the long term funds in this respect.

D. Insurance contracts with discretionary participation features

Product features

The Group operate a number of with-profit funds in the UK, in which the with-profit policyholders benefit from a discretionary annual bonus (guaranteed once added in most cases) and a discretionary final bonus. Non-profit business is also written in some of the with-profit funds and some of the funds may include immediate annuities and deferred annuities with Guaranteed Annuity Rates (GARs). The investment strategy of each fund differs, but is broadly to invest in a mixture of fixed interest investments and shares and/or property in such proportions as is appropriate to the investment risk exposure of the fund and its capital resources.

Management of product risks

The Group has significant discretion regarding investment policy, bonus policy and early termination values. The process for exercising discretion in the management of the with-profit funds is set out in principles and practices of financial management ("PPFM") for each with-profit fund and is overseen by with-profit committees. Advice is also taken from the with-profit actuary of each company which has a with-profit fund. Compliance with the PPFM is reviewed annually and reported to the FSA and policyholders.

The bonuses are designed to distribute to policyholders a fair share of the return on the assets in the with-profit funds together with other elements of the experience of the fund. The shareholders of the Group are entitled to receive one-ninth of the cost of bonuses declared for some funds and nil for others.

(c) Operational Risks

Operational risk is the risk of loss or, *inter-alia,* adverse consequences for the Group's business, arising from system failure, human error, fraud or external events.

When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating and following a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

The assessment of operational risk exposures is performed on a qualitative basis using a combination of impact and likelihood, and on a quantitative basis using objective and verifiable measures. Limits for exposure are set using both quantitative limits, eg. financial impact, and also qualitative statements of principle that articulate the event, or effect, that needs to be limited.

52. Group entities

The principal subsidiary undertakings of the Group whose results or financial position affected the amounts shown in the consolidated financial statements are listed below. All of these are incorporated in the UK except where otherwise stated. All subsidiary undertakings have been included in the consolidated financial statements.

Subsidiary	Principal Activity	% of Equity and Votes held
Phoenix & London Assurance Limited	Life assurance	100
Phoenix Life Assurance Limited	Life assurance	100
Phoenix Life Limited	Life assurance	100
Phoenix Pensions Limited	Life assurance	100
Resolution Asset Management Limited*	Holding company	100
Resolution Fund Managers Limited	Unit Trust Management	100
Resolution Investment Services Limited	Asset Management	100
Resolution Life Limited*	Holding company	100
Resolution Management Services Limited*	Management services	100
RMS (Glasgow) Limited	Management services	100
RMS (Ireland) Holdings Limited (incorporated in the Republic of Ireland)	Holding company	100
Scottish Mutual Assurance Limited	Life assurance	100
Scottish Mutual International Limited (incorporated in the Republic of Ireland)	Life assurance	100
Scottish Provident International Life Assurance Limited (incorporated in the Isle of Man)	Life assurance	100
Scottish Provident Limited	Life assurance	100
UK Commercial Property Trust Limited (incorporated in Guernsey)	Property investment	76

* Directly held by Resolution plc.

There are no non-equity shares held in the principal subsidiary undertakings.

Resolution plc

Five year review
profits attributable to equity holders

Presented under UK GAAP			Presented under IFRS			
2003 £m	2004 £m		2004 £m	2005 £m	2006 £m	2007 £m
920	526	**Gross premiums**	526	445	1,633	**2,104**
		Profit before non-recurring items				
15	14	With-profit	11	23	75	**60**
12	21	Non-profit and unit-linked	25	107	325	**404**
40	39	Longer term return on equity holders' funds	38	44	78	**66**
1	1	Other income and charges	1	3	—	**(4)**
—	—	Minority interest in results of UK Commercial Property Trust Limited	—	—	2	**(13)**
68	75	Life	75	177	480	**513**
9	10	Asset management	10	12	32	**47**
—	—	Management services	—	3	15	**23**
(1)	—	Mortgage operations	—	—	—	**—**
(4)	(4)	Group income less charges	(1)	(12)	6	**4**
72	81		84	180	533	**587**
—	—	Amortisation of acquired in-force business	—	(28)	(230)	**(199)**
—	—	Amortisation of asset management internalisation costs	—	—	(7)	**(9)**
—	—	Amortisation of fair value of distribution agreements and protection broker consultant business	—	—	(8)	**(22)**
72	81		84	152	288	**357**
		Non-recurring items				
—	—	Break fee paid to Friends Provident plc	—	—	—	**(49)**
—	—	Other corporate transaction costs	—	—	—	**(28)**
—	—	Deferred consideration on transfer of Alba Life	—	—	—	**(12)**
—	—	Life — profit on acquisitions	—	89	257	**—**
—	—	Life — gains on transfers from with-profit funds	—	—	48	**—**
—	—	Life — profit arising from changes in assumptions used for determining insurance contracts liabilities	—	—	534	**—**
—	—	Life — impairment of acquired in-force business and deferred acquisition costs	—	—	(511)	**—**
(8)	(4)	Life — restructuring expenses	(4)	—	—	**—**
(4)	(50)	Asset management — goodwill impairment	(8)	—	—	**—**
—	—	Management services — Capita outsourcing transition costs	—	—	—	**(12)**
—	—	Management services — goodwill impairment	—	(20)	—	**—**
—	—	Release of deferred income liability	—	26	—	**—**
—	—	Governance projects	—	—	—	**(16)**
—	—	Enhanced controllership costs	—	—	(7)	**(18)**
—	—	Former Abbey life businesses integration costs	—	—	(3)	**(18)**
—	—	Funds merger benefits/(costs) (net)	—	17	(2)	**—**
—	—	Britannic/RLG merger reorganisation costs	—	(2)	(19)	**(9)**
(25)	—	Loss on disposal of mortgage operations	—	—	—	**—**
35	27		72	262	585	**195**

Presented under UK GAAP			Presented under IFRS			
2003	2004		2004	2005	2006	2007
£m	£m		£m	£m	£m	£m
34	57	Short term investment fluctuations	15	23	4	**(1)**
69	84	**Operating profit attributable to equity holders**	87	285	589	**194**
(9)	(8)	Financing costs	(8)	(12)	(32)	**(45)**
60	76	**Profit before taxes attributable to equity holders**	79	273	557	**149**
(13)	(32)	Equity holders' share of income tax	4	(111)	(26)	**(14)**
47	44	**Profit for the year attributable to equity holders**	83	162	531	**135**
		Attributable to:				
		Equity holders of the parent				
47	44	Ordinary shareholders	83	155	494	**115**
—	—	Perpetual reset capital securities	—	4	33	**33**
47	44		83	159	527	**148**
—	—	Minority interests	—	3	4	**(13)**
47	44		83	162	531	**135**
21.1p	19.6p	**Basic earnings per share (pence)**	37.0p	56.8p	97.8p	**16.8p**
20.9p	19.3p	**Diluted earnings per share (pence)**	36.6p	56.3p	97.3p	**16.7p**

The basic and diluted earnings per share for 2005 and prior years have been restated to reflect the bonus element effect of the rights issue which completed on 9 August 2006. The bonus element is calculated by reference to the closing share price immediately prior to the date that the ordinary shares became ex-rights of 654.5p per ordinary share and the additional 322.4 million new ordinary shares were issued at 480.0p per ordinary share.

The financial information presented under IFRS is not directly comparable with that presented under UK GAAP due to the application of different measurement bases. In addition, the financial information presented under IFRS for 2005 is not fully comparable with that presented under IFRS for 2004 as IAS 32 *Financial Instruments: Disclosure and Presentation,* IAS 39 *Financial Instruments: Recognition and Measurement,* IFRS 4 *Insurance Contracts* and FRS 27 *Life Assurance* were adopted from 1 January 2005 without restating the comparative amounts for 2004.

Resolution plc

Statement of directors' responsibilities in respect of the parent company financial statements

The directors are responsible for preparing the Annual Report and the parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements 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 these financial statements, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 financial statements 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Resolution plc

Independent auditors' report to the members of Resolution plc

We have audited the parent company financial statements of Resolution plc for the year ended 31 December 2007 which comprise the accounting policies, the balance sheet and the related notes 1 to 15. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration report that is described as having been audited.

We have reported separately on the consolidated financial statements of Resolution plc for the year ended 31 December 2007.

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, the Remuneration report and the parent company financial statements 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 parent company financial statements and the part of the Remuneration report to be audited 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 parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Remuneration report to be audited have been 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 parent company financial statements. The information given in the Directors' report includes that specific information presented in the Business review that is cross referred from the Directors' report.

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 other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Operating and financial review, the Directors' report, the Corporate governance statement, the Corporate responsibility statement and the unaudited part of the Remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

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 parent company financial statements and the part of the Remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

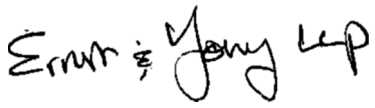
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

parent company financial statements and the part of the Remuneration report to be audited 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 parent company financial statements and the part of the Remuneration report to be audited.

Opinion

In our opinion:

- the parent company financial statements 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 2007;
- the parent company financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent company financial statements.



Ernst & Young LLP
Registered auditor

London

28 April 2008

Resolution plc

Accounting policies

a) Basis of preparation

The parent company financial statements are prepared in accordance with Schedule 4 to the Companies Act 1985 and applicable UK accounting standards. The financial statements are also prepared in accordance with the historical cost convention.

b) Net investment income

Net investment income comprises interest and dividends receivable.

Interest income is recognised in the profit and loss account as it accrues. Dividend income is recognised in the profit and loss account on the date the right to receive payments is established.

c) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

Defined benefit plans

The net surplus or deficit in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value and the fair value of any scheme assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The net surplus and the movement in the surplus are currently allocated in the ratio 37:63 (2006: 36:64) between the Company and its subsidiary, Resolution Management Services Limited, the joint sponsoring employers of the pension scheme. The change in the ratio reflects the effect of the merger of the Phoenix Life Group pension scheme with the principal scheme. The surplus is shown net of the associated deferred tax liability.

Share-based payment transactions

The Company issues 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 is 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.

d) Borrowings

Interest bearing borrowings are recognised initially at fair value less any attributable transaction costs. The difference between initial cost and the redemption value is amortised through the profit and loss account over the period of the borrowing using the effective interest method.

e) Investments in and loans to group undertakings

Investments in and loans to group undertakings are held at cost less impairment losses. They are tested for impairment when there is evidence of possible impairment and the carrying value is adjusted appropriately.

f) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. It is recognised in the profit and loss account except to the extent that it relates to items recognised in the statement of total recognised gains and losses, in which case it is recognised in that statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantially enacted at the balance sheet date together with adjustments to tax payable in respect of previous years. It takes account of tax relief on coupons paid on the perpetual reset capital securities.

Deferred tax comprises the estimated taxation or relief from taxation which is expected to arise from material timing differences using rates based on tax rates and laws which have been enacted or substantively enacted by the balance sheet date.

g) 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 coupons on the securities are recognised on the date of payment and are charged directly to equity holders' funds.

h) Dividends

Dividends declared by ordinary shareholders are recognised as a liability on the date of declaration and dividends declared by the directors are recognised on the date of payment. Dividends are charged directly to equity holders' funds.

Resolution plc

Parent company balance sheet
as at 31 December 2007

	Notes	2007 £m	2006 £m
Fixed asset investments			
Investments in group undertakings	4	**1,563**	719
Loans to group undertakings	5	**897**	1,852
		2,460	2,571
Current assets			
Debtors (all falling due within one year)			
Amounts owed by group undertakings		**26**	399
Other debtors		**3**	3
		29	402
Cash at bank and in hand		**707**	305
		736	707
Creditors: amounts falling due within one year			
Bank loans	6	**(115)**	(496)
Other creditors — corporation tax		**(7)**	(3)
Accruals and deferred income		**(2)**	(1)
		(124)	(500)
Net current assets		**612**	207
Total assets less current liabilities		**3,072**	2,778
Creditors: amounts falling due in more than one year			
Bank loans	6	**(120)**	(435)
		(120)	(435)
Net assets excluding pension asset less total liabilities		**2,952**	2,343
Pension asset	7	**22**	21
Total assets less total liabilities		**2,974**	2,364
Capital and reserves			
Called up share capital	9	**34**	34
Share premium account		**1,537**	1,534
Perpetual reset capital securities	11	**497**	497
Other reserves		**5**	4
Profit and loss account	12	**901**	295
	8	**2,974**	2,364

Signed on behalf of the Board by:

Jim Newman
Group Finance Director

28 April 2008

Resolution plc

Notes to the financial statements
for the year ended 31 December 2007

1. Financial information

The parent company financial statements for the year ended 31 December 2007, set out on pages 142 to 153, were approved by the Board on 28 April 2008.

2. Profit and loss account

In accordance with the provisions of section 230 of the Companies Act 1985 a separate profit and loss account of the Company has not been reproduced. The profit of the Company for the financial year amounted to £795 million (2006: £292 million).

3. Auditors' remuneration

The remuneration receivable by the Company's auditors for auditing the accounts amounted to £0.1 million (2006: £0.1 million). The consolidated financial statements of the Company are required to comply with paragraph 1 of The Companies (Disclosure of Remuneration for Non-Audit work) Regulations 2005 and accordingly the remuneration of the auditors for other services provided to the Company is included in the disclosures given in those financial statements.

4. Investments in group undertakings

	2007 £m	2006 £m
Cost		
At 1 January	**769**	348
Additions	**605**	87
Capital contribution made	**942**	675
Capital contribution repaid	**—**	(341)
At 31 December	**2,316**	769
Impairment		
At 1 January	**50**	100
Write down of investment in Resolution Life Group Limited to net asset value	**753**	—
Reversal of impairment losses	**(50)**	(50)
At 31 December	**753**	50
Carrying amount		
At 31 December	**1,563**	719

During the year capital contributions were made to Resolution Life Group Limited (£252 million) and Resolution Life Limited (£690 million). The investment in Resolution Life Group Limited was subsequently written down to its net asset value of £0.1 million. Ownership of Resolution Life Limited was passed to Resolution plc from Resolution Life Group Limited by way of an in specie dividend of £585 million and a further £20 million was invested in Resolution Management Services Limited in the year.

An evaluation of the recoverable amount of the investment in Resolution Asset Management Limited at 31 December 2007 has been undertaken by reference to the expected cash flows arising from the business in the future, as a result of which previous impairment losses totalling £50 million have been reversed.

5. Loans to group undertakings

	2007 £m	2006 £m
Loan to Resolution Management Services Limited	**30**	—
Loans to Resolution Life Limited	**867**	1,852
	897	1,852

The loans to Resolution Life Limited comprise (i) an unsecured loan of £459 million (2006: £459 million) with no fixed date of repayment and carrying interest of 7% per annum; and (ii) an unsecured loan of £408 million (2006 £1,393 million) with no fixed date of repayment and carrying interest at 12 month LIBOR plus 1% per annum.

The Company has granted a revolving credit facility for £110 million to its subsidiary undertaking, Resolution Management Services Limited (RMS). Amounts can be drawn down under the facility on giving five days' notice and may be repaid on one day's notice subject to RMS obtaining the written consent of the Financial Services Authority. Amounts that are repaid can be redrawn. The Company may demand repayment of any loan made under the facility by giving one month's notice providing such notice expires at least two years after the date of drawdown. Interest is payable at LIBOR plus 2%.

Repayment of loans and payment of interest on loans is only permitted if RMS is solvent both before and after the repayment or payment takes place. In the event of the winding up or liquidation of RMS the obligations of RMS are subordinated to senior creditors but rank in priority to the holders of all classes of share capital of RMS.

As at 31 December 2007 the drawings under the facility totalled £30 million. These were made on 26 September 2007.

6. Bank loans

	2007 £m	2006 £m
Current liabilities		
Bank loans	**(115)**	(496)
Liabilities: amounts falling due in more than one year		
Bank loans	**(120)**	(435)
	(235)	(931)
Borrowings are repayable as follows		
Within one year or on demand	**(115)**	(496)
Between one and two years	**(120)**	(115)
Between two and five years	—	(320)
	(235)	(931)

The bank loan comprises a term loan of £235 million which is repayable in instalments of £115 million in April 2008 and £120 million in April 2009. The loan carries an annual interest rate of between 30 and 70 basis points above LIBOR and is currently charged at a rate of 30 basis points above LIBOR.

7. Pension schemes

(a) Defined contribution schemes

The Company participates in the defined contribution section of the Resolution Group Pension Scheme. There were no contributions in the year ended 31 December 2007 (2006: £0.1 million).

(b) Defined benefit schemes

The Company and its subsidiary, Resolution Management Services Limited, are joint sponsoring employers of the Resolution Group Pension Scheme. The defined benefit section of the Resolution Group Pension Scheme (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 on 31 July 2006) to future service accrual.

The valuation has been based on an assessment of the liabilities of the scheme as at 31 December 2007, 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 pension scheme surplus before tax amounts to £30 million (2006: £30 million).

The principal financial assumptions of the Resolution Group Pension Scheme and the amounts recognised in the profit and loss account and the statement of total recognised gains and losses of the Company are set out below.

	2007	2006
Rate of general long term increase in salaries	**4.4%**	4.1%
Rate of increase in pensions	**3.4%**	3.0-3.1%
Discount rate	**5.8%**	5.2%
Inflation	**3.4%**	3.1%
Expected rate of return on scheme assets	**5.2%**	5.0%

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

	2007 £m	2006 £m
Current service cost	**(2)**	(2)
Interest cost	**(20)**	(18)
Expected return on scheme assets	**21**	19
Gain on curtailments	**1**	—
	—	(1)

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

	2007 £m	2006 £m
Actuarial gains and losses	**—**	(2)

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

	2007 £m	2006 £m
Actual return less expected return on scheme assets	**(4)**	(6)
Experience gains and losses arising on scheme liabilities	**(3)**	2
Changes in assumptions underlying scheme liabilities	**7**	2
	—	(2)

The cumulative net actuarial losses recognised in the statement of recognised income and expense since 1 January 2004 amount to £5 million.

The amounts recognised in the balance sheet are as follows:

	2007 £m	2006 £m
Fair value of scheme assets	**419**	387
Present value of defined benefit obligation	**(389)**	(357)
Net amount recognised in balance sheet	**30**	30
Deferred tax	**(8)**	(9)
Net pension asset	**22**	21

The actual return on the scheme assets comprises the following:

	2007 £m	2006 £m
Expected return on scheme assets	**21**	19
Actuarial losses on scheme assets	**(4)**	(18)
	17	1

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

	2007 £m	2006 £m
At 1 January	**357**	356
Effect on allocation ratio of Phoenix Life Group scheme merging with the Resolution Group Pension Scheme	**32**	—
Current service cost	**2**	2
Interest cost	**20**	18
Curtailments	**(1)**	—
Actuarial gains	**(4)**	(4)
Benefits paid	**(17)**	(15)
At 31 December	**389**	357

The defined benefit obligation arises from plans that are wholly funded.

The change in the fair value of the scheme assets is as follows:

	2007 £m	2006 £m
At 1 January	**387**	389
Effect on allocation ratio of Phoenix Life Group scheme merging with the Resolution Group Pension Scheme	**32**	—
Expected return on scheme assets	**21**	19
Actuarial losses on scheme assets	**(4)**	(6)
Benefits paid	**(17)**	(15)
At 31 December	**419**	387

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

	2007 £m	2006 £m
Bonds	**352**	307
Properties	**61**	68
Cash	**6**	12
	419	387

Contributions totalling £3 million are expected to be paid into the scheme by the Company in 2008.

Table of historical information

	2007 £m	2006 £m	2005 £m	2004 £m
Fair value of scheme assets	**419**	387	390	354
Defined benefit obligation	**(389)**	(357)	(356)	(317)
Net surplus in scheme	**30**	30	34	37
Experience gains/(losses) on scheme assets	**(4)**	(6)	32	6
Experience gains/(losses) on scheme liabilities	**(3)**	2	(1)	(1)

8. Reconciliation of equity holders' funds

	Share Capital (Note 9)	Share Premium	Perpetual Reset Capital Securities (Note 11)	Other Reserves — Share Options	Profit and Loss Account (Note 12)	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2007	**34**	**1,534**	**497**	**4**	**295**	**2,364**
Profit for the year	**—**	**—**	**—**	**—**	**795**	**795**
Other recognised gains and losses	**—**	**—**	**—**	**(1)**	**—**	**(1)**
Dividends on ordinary shares	**—**	**—**	**—**	**—**	**(154)**	**(154)**
Coupon paid on perpetual reset capital securities	**—**	**—**	**—**	**—**	**(33)**	**(33)**
	34	**1,534**	**497**	**3**	**903**	**2,971**
Issue of ordinary share capital — share option schemes	**—**	**3**	**—**	**(3)**	**3**	**3**
Equity share options issued	**—**	**—**	**—**	**5**	**—**	**5**
Purchase of own shares to settle share options	**—**	**—**	**—**	**—**	**(5)**	**(5)**
At 31 December 2007	**34**	**1,537**	**497**	**5**	**901**	**2,974**

	Share Capital (Note 9)	Share Premium	Perpetual Reset Capital Securities (Note 11)	Other Reserves — Share Options	Profit and Loss Account (Note 12)	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2006	18	43	497	2	111	671
Profit for the year	—	—	—	—	292	292
Other recognised gains and losses	—	—	—	—	(2)	(2)
Dividends on ordinary shares	—	—	—	—	(93)	(93)
Coupon paid on perpetual reset capital securities	—	—	—	—	(14)	(14)
	18	43	497	2	294	854
Issue of ordinary share capital — rights issue	16	1,531	—	—	—	1,547
Issue of ordinary share capital — share option schemes	—	2	—	(1)	1	2
Issue costs	—	(42)	—	—	—	(42)
Equity share options issued	—	—	—	3	—	3
At 31 December 2006	34	1,534	497	4	295	2,364

The share options reserve comprises the cumulative fair value charges made to the profit and loss account in respect of share options granted and still outstanding.

9. Called up share capital

	2007	2006
	£m	£m
Authorised: 1,000 million (2006: 1,000 million) ordinary shares of 5p each	**50**	50
	£m	£m
Allotted, called up and fully paid 686 million (2006: 685 million) ordinary shares of 5p each	**34**	34

Ordinary shareholders of the Company are entitled:

- To attend general meetings of the Company and to vote at such meetings. Ordinary shareholders have one vote on a show of hands if present at a general meeting or, if a poll is called, one vote for each share held.
- To receive a copy of the annual accounts, auditors' report, directors' report and any accompanying reports of the Company not less than 21 days before the date of the Annual General Meeting.
- To receive dividends, including interim dividends declared by the Board, except where shares are issued on terms providing that they will rank for dividend as from a particular date. The Company may not declare, pay or distribute a dividend on the ordinary shares or redeem, purchase or otherwise acquire its ordinary shares for so long as a deferred coupon payment of the Perpetual Reset Capital Securities has not been satisfied.

Where an ordinary shareholder has not been traced for a period of twelve years the Company is entitled to sell the shares of that member. The proceeds of sale are retained by the Company and the amount is held as a debt due to the former member of the Company. No interest accrues on the debt.

10. Share options

Information on share options is given in note 17 to the consolidated financial statements.

11. Perpetual reset capital securities

	2007	2006
	£m	£m
At 1 January and 31 December	**497**	497

The Company has in issue £500 million of Perpetual Reset Capital Securities ("the Notes") which are listed on the London Stock Exchange. The proceeds of the issue amounted to £497 million.

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 and also, in respect of coupon payments, having sufficient distributable reserves.

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.

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 the deferred coupon payment may only be satisfied by the issue of ordinary shares in the Company. For so long as a deferred coupon payment has not been satisfied the Company may not declare, pay or distribute a dividend on its securities in issue ranking junior to the Notes, including the ordinary shares 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.

12. Profit and loss account

	Distributable reserves	Pension reserve	Total
	£m	£m	£m
At 1 January 2007	**274**	**21**	**295**
Profit for the year	**794**	**1**	**795**
	1,068	**22**	**1,090**
Dividends on ordinary shares	**(154)**	—	**(154)**
Coupon paid on perpetual reset capital securities	**(33)**	—	**(33)**
	881	**22**	**903**
Equity share options issued	**3**	**—**	**3**
Purchase of own shares to settle equity share options	**(5)**	**—**	**(5)**
At 31 December 2007	**879**	**22**	**901**

Dividends on ordinary shares comprise the final dividend for 2006 of £91 million and the interim dividend for 2007 of £63 million.

	Distributable reserves	Pension reserve	Total
	£m	£m	£m
At 1 January 2006	87	24	111
Profit for the year	293	(1)	292
Other recognised gains and losses	—	(2)	(2)
	380	21	401
Dividends on ordinary shares	(93)	—	(93)
Coupon paid on perpetual reset capital securities	(14)	—	(14)
Equity share options issued	1	—	1
At 31 December 2006	274	21	295

Dividends on ordinary shares comprise the second interim dividend for 2005 of £48 million and the interim dividend for 2006 of £45 million.

13. Contingent liabilities

The Company has guaranteed the due performance by its subsidiary undertaking, Resolution Management Services Limited (RMS) of a management services agreement (MSA) under which RMS has agreed to provide certain services to the Phoenix regulated companies (fellow subsidiary undertakings). The Company has agreed to extend its guarantee to such of its subsidiary companies which from time to time may enter into Participation Agreements and receive services under the MSA.

The Company has guaranteed the obligations of its subsidiary undertaking, Resolution Life Limited, in connection with the Retail Distribution and Intermediary Distribution Agreements entered into between Resolution Life Limited and Abbey National plc on 7 June 2006.

The Company has guaranteed the performance by its subsidiary undertaking, Resolution Life Limited, of a guarantee given by Resolution Life 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. As at the date of these financial statements the principal obligations that are subject to the guarantee are cash contributions totalling £75 million over the five year period to June 2012. These have resulted from completion of the triennial valuation of the scheme as at 30 June 2006.

At 31 December 2007 the Company had a contingent liability totalling £28 million in respect of fees that will become payable to the Company's professional advisers upon completion of the acquisition of the Company by Impala Holdings Limited, a subsidiary of the Pearl Group.

14. Related party disclosures

Related party transactions are disclosed in note 48 to the consolidated financial statements.

15. Events after the balance sheet date

Events after the balance sheet date are disclosed in note 50(a) and 50(b) to the consolidated financial statements.

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P.O. Box HM 906
Hamilton HM DX, Bermuda

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Internet www.kpmg.bm

Our ref 27/1069/8497

The Bermuda Monetary Authority
Hamilton
Bermuda

We have audited the Statutory Balance Sheet and Statutory Statement of Capital and Surplus of Opal Reassurance Limited as at December 31, 2008 and the Statutory Statement of Income for the year then ended. We have also audited the Statutory Financial Statements and Solvency Certificate for compliance with the criteria established by provisions of The Insurance Act 1978, amendments thereto and related Regulations insofar as such provisions relate to accounting and financial reporting matters ("the Act and Regulations"). These Statutory Financial Statements are the responsibility of the Company's management. Compliance with the criteria established by the provisions of the Act and Regulations is also the responsibility of the Company's management and of the Principal Representative. Our responsibility is to express an opinion, based on our audit, on the Statutory Financial Statements and an opinion on the compliance referred to above.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that an audit be planned and performed to obtain reasonable assurance whether the Statutory Financial Statements are free of material misstatement and whether the Statutory Financial Statements and the Solvency Certificate comply with the criteria established by provisions of the Act and Regulations. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statutory Financial Statements and evidence supporting the compliance of the Statutory Financial Statements and the Solvency Certificate with criteria established by provisions of the Act and Regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statutory Financial Statement presentations and the overall compliance of the Statutory Financial Statements and the Solvency Certificate with criteria established by provisions of the Act and Regulations.

In our opinion:

1. The Statutory Financial Statements present fairly, in all material respects, the information therein in accordance with the Act and Regulations;

2. The Statutory Financial Statements and Solvency Certificate comply, in all material respects, with the criteria established by the Act and Regulations; and

3. The opinions expressed in the aforementioned Solvency Certificate, insofar as they relate to accounting and financial reporting matters, are reasonable.

KMPG, a Bermuda partnership, and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

The opinions set out above are based on information available to May 28, 2009, the date of substantial completion of our audit work. The Statutory Financial Statements, which have not been, and were not intended to be, prepared in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board, are solely for the information and use of the Bermuda Monetary Authority and are not intended to be and should not be used by anyone other than the Bermuda Monetary Authority, or for any other purpose.

For purposes of identification, the following appear in the Solvency Certificate:

Long-term Business Solvency Certificate:

Aggregate value of assets		$5,267,627,958
Minimum solvency margin	$	250,000
Statutory capital and surplus	$	18,927,584
Aggregate amount of premiums and other considerations	$	Nil

KPMG

Chartered Accountants

June 1, 2009

KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Telephone 214 840 2000
Fax 214 840 2297
Internet www.*us*.kpmg.com

Opal Reassurance Limited

Approved Actuary Opinion
As of December 31, 2008

Background

Opal Reassurance Limited. ("Opal Re" or the "Company") is incorporated as an insurance company under the laws of Bermuda and is licensed under the Insurance Act 1978 of Bermuda, amendments thereto and related regulations, to write insurance business. Opal Re holds a Long-Term License, as specified by the Insurance Amendment Act 1995.

The Company conducts long-term business as a reinsurance company. No new long-term arrangements were reinsured by Opal Re during the past fiscal year.

Identification

I, Robert Holliday, am an Actuarial Senior Manager with KPMG LLP (Dallas). I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I have been designated by Opal Re as its Approved Actuary.

Scope

Pursuant to Bermuda Insurance Regulations, and the 1978 Act as amended, I have examined the assets and the long-term reserves for life insurance as shown in line 22 of their annual statement provided by Opal Re as of December 31, 2008.

Work Papers

Copies of the documents reviewed that support the reserve process, worksheets that contain reconciliations and reserve compilations, and other work papers supporting this opinion are available to be provided, if requested

Review and Verification of Data

I have relied on listings and summaries of policies and contracts and other liabilities in force supplied to me by responsible parties of Opal Re. I have also relied on listings of assets held in support of these policies and contracts and other liabilities that were supplied by Opal Re. I relied on the accuracy of the data provided and did not perform detailed audits, although I did check the data for reasonableness and consistency. I also obtained qualitative information from conversations with the auditors of Opal Re. I have reconciled these listings with Opal Re's financial statement.

Booked reserve balances for the contracts reviewed as of December 31, 2008 are $5,246,297,195.

Expression of Opinion

In my opinion, Opal Re's posted total long-term business insurance reserves of $5,246,297,195 as of December 31, 2008 together with the life insurance premiums to be received in the future and interest thereon will be sufficient to cover all future long-term insurance liabilities for Opal Re's in-force business as of such date, under the terms of its reinsurance treaties.

I have examined the assets of the Company to determine there are sufficient assets to back the reserves stated above.

In my opinion, giving consideration to the issues noted herein, the aggregate amounts of the long-term liabilities carried on the balance sheet of Opal Re:

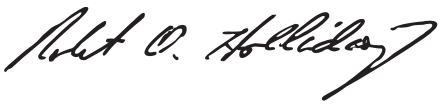
- meet the requirements of the insurance laws of Bermuda;
- are computed in accordance with accepted actuarial reserving practices;
- make adequate provision, in the aggregate, for all long term life insurance obligations that the Company guarantees under the terms of its reinsurance agreements.
- are calculated using rates of interest, cash flow assumptions, and mortality and morbidity assumptions that are appropriate for the circumstances of the company and the policies in force.

Conditions and Limitations

Since the emergence and settlement of insurance claims are subject to uncertainty, actual ultimate values are likely to differ upward or downward from currently projected amounts. Such differences could be material. No warranty is expressed or implied that this will not occur.

This Approved Actuary's opinion is intended solely for filing with regulatory agencies in Bermuda and is not intended for general distribution or for any other purpose.

Approved Actuary
Opal Re Ltd.



May 28, 2009

Robert O. Holliday, FSA, MAAA
Actuarial Senior Manager
KPMG LLP
717 N. Harwood, Suite 3100
Dallas, TX 75201

Date

COVER SHEET
(Regulation 6 of the Insurance Returns and Solvency Regulations 1980)

STATUTORY FINANCIAL RETURN

of

OPAL REASSURANCE LIMITED
(herein after referred to as "the Insurer")

for the year ended

31st DECEMBER, 2008

CLASS OF REGISTRATION

LONG TERM BUSINESS

Part (A)

CONDITIONS IMPOSED ON INSURERS REGISTRATION

(1) The insurer shall, at all times in and during the course of each financial year it carries on insurance business, meet and maintain the relevant solvency margin(s), and other ratios applicable under Bermuda Law.

(2) The insurer shall not, without obtaining the prior written approval of the Bermuda Monetary Authority, write and "general business" as such expression is understood in the Act.

PARTICULARS OF DIRECTION(S) ISSUED BY THE AUTHORITY UNDER SECTION 56 OF THE ACT

None

DESCRIPTION OF THE NATURE OF THE INSURER'S BUSINESS

Company reinsures life and annuity risks. It has not written any other types of business.

Information regarding insurance business carried on:

(i)	GENERAL BUSINESS	NO
(ii)	LONG-TERM BUSINESS	YES
(iii)	IF A COMPOSITE : IS THE INSURER A "SECTION 24(6) COMPOSITE"?	N/A
(iv)	(a) IS THE INSURER A WRITER OF UNRELATED BUSINESS ?	YES
	(b) IF "YES" TO (a) ABOVE , IS IT AS A DIRECT WRITER OR AS A REINSURER?	REINSURER
(v)	STATE THE CLASSES OF RELATED AND UNRELATED GENERAL BUSINESS; AND THE AMOUNTS OF GROSS PREMIUM WRITTEN IN RESPECT OF EACH SUCH CLASS.	N/A
(vi)	(a) IS ANNUAL AGGREGATE STOP LOSS REINSURANCE IN EFFECT?	NO
	(b) IF YES TO (a) ABOVE, STATE THE MAXIMUM ANNUAL AGGREGATE NET LOSSES RETAINED IN RESPECT OF EACH CLASS OF GENERAL BUSINESS.	N/A
(vi)	IS THE INSURER DISCOUNTING ITS LOSS PROVISIONS	N/A

OPAL REASSURANCE LIMITED
31st DECEMBER, 2008
COVER SHEET
-2-

Part (B)

DESCRIPTION OF THE CURRENCY USED

(1) Indicate the currency in which the INSURER'S STATUTORY FINANCIAL STATEMENTS is shown

United States Dollar

(2) Has such currency been expressed in accordance with Regulation 10(2) of the Insurance Accounts Regulations, 1980 ?

YES

PART (C)

OPEN YEAR BUSINESS REVENUE STATEMENT (O. Y. B. R. S.)

(i) Has a Statutory O. Y. B. R. S. been annexed to the Insurer's Statutory Statement of Income ?

NO

(ii) If "YES" to (i) above, indicate class or classes of Insurer's business to which the O. Y. B. R. S. relates.

N/A

FOOTNOTES

FOOTNOTES:

(1) The Statutory Financial Return must relate to the "relevant year" (Reg. 4(1) of the Insurance Returns and Solvency Regulations 1980).

(2) All answers in PART (A) must pertain to the insurance business carried on by the Insurer in the period relevant to this return.

(3) "Section 24(6) Composite" has the same meaning as in Regulation 2 of the Insurance Accounts Regulations 1980.

(4) "Unrelated business, in relation to an insurer means insurance business consisting of insuring risks of persons who are not shareholders or affiliates of the insurer.

OPAL REASSURANCE LIMITED

LONG TERM BUSINESS SOLVENCY CERTIFICATE

(Prepared in accordance with Regulation 8 of the Insurance Returns and Solvency Regulations, 1980)

We the Principal Representative and Directors of Opal Reassurance Limited hereinafter referred to as "the Insurer" do hereby certify that:

1 The Insurer has prepared Statutory Financial Statements in accordance with the Act for the year ended 31st December 2008, and they are available at the Argus Insurance Building, 12 Wesley Street, Hamilton, Bermuda, which is the Insurer's principal office in Bermuda.

2 The Insurer has complied with every condition attached to its Certificate of Registration.

3 The aggregate value of the assets shown in the Statutory Balance Sheet was USD 5,267,627,958 and, in our opinion, the said value was determined in accordance with the Insurance Act, 1978 and applicable regulations, and the value of the Insurer's assets is at least equal to the value shown in the Statutory Balance Sheet.

4 In our opinion the aggregate amount of the Insurer's liabilities is not more than that shown in the Statutory Balance Sheet, except for where the liability is estimated and as such the actual settlement of these estimated amounts may be materially greater or less than the amounts provided. Any differences between the estimates and the actual settlements will be reflected in the accounts of subsequent years.

5 The total premiums and other considerations shown in line 19(d) of the Statutory Statement of Income for the period ended December 31, 2008 was USD NIL.

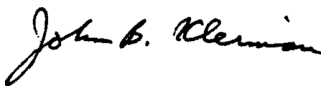
6 The statutory financial statements were prepared in United Kingdom Pound Sterling and the figures extracted were translated into Bermuda Dollars at publicly quoted exchange rates to prepare this return.

7 The accounts of the Insurer have not been audited for a purpose other than that required by the Regulations.

8 The minimum solvency margin was $250,000 and it was met.

9 The aggregate amount of capital and surplus shown in the Statutory Statement of Capital and Surplus was USD 18,927,584.

PRINCIPAL REPRESENTATIVE:



May 29, 2009

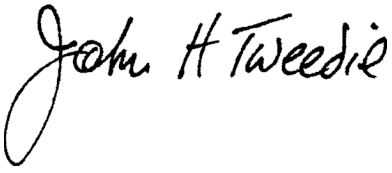
Northstar Group Holdings, Ltd — DATE

DIRECTOR:

May 31, 2009

Graydon P. Bellingan — DATE

RESIDENT DIRECTOR:



May 31, 2009

John H. Tweedie — DATE

BERMUDA

THE INSURANCE ACT 1978
(Act No. 39 of 1978)

STATUTORY BALANCE SHEET (Long-Term Business)

OPAL REASSURANCE LIMITED **Form 4** **Form 4**
as at 31st DECEMBER, 2008

Expressed in United States Dollars

STMT. LINE NO.		2008	2007
	ASSETS		
1	CASH AND TIME DEPOSITS	$ 36,253,313	$ 86,304,013
2	QUOTED INVESTMENTS:		
	(a) Bonds and Debentures at market value	0	0
	(b) Equities (preferred and ordinary)	0	0
	(c) Other quoted Investments	0	0
	(d) Total quoted investments	0	0
3	UNQUOTED INVESTMENTS:		
	(a) Bonds and Debentures	0	0
	(b) Equities (preferred and ordinary)	0	0
	(c) Total unquoted investments	0	0
4	INVESTMENT IN AND ADVANCES TO AFFILIATES	0	0
5	INVESTMENT IN MORTGAGE LOANS ON REAL ESTATE:		
	(a) First liens	0	0
	(b) Other than first liens	0	0
	(c) Total investment in mortgage loans on real estate	0	0
6	POLICY LOANS	0	0
7	REAL ESTATE:		
	(a) Occupied by the company (less encumbrances)	0	0
	(b) Other properties (less encumbrances)	0	0
	(c) Total real estate	0	0
8	COLLATERAL LOANS	0	0
9	INVESTMENT INCOME DUE AND ACCRUED	14,761,560	0
10	ACCOUNTS AND PREMIUMS RECEIVABLE	0	0
11	REINSURANCE BALANCES RECEIVABLE	1,151,556	1,030,001
12	FUNDS HELD BY CEDING REINSURERS	5,215,461,529	7,263,984,860
13	SUNDRY ASSETS:		
	(a)	0	0
	(b)	0	0
	(c)	0	0
	(d)	0	0
14	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
	(a)	0	0
	(b)	0	0
	(c)	0	0
15	**TOTAL**	**$5,267,627,958**	**$7,351,318,874**

OPAL REASSURANCE LIMITED
as at 31st DECEMBER, 2008

Expressed in United States Dollars

LONG-TERM BUSINESS INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS

STMT. LINE NO.		2008	2007
	LONG-TERM BUSINESS INSURANCE RESERVES		
20	RESERVE FOR REPORTED CLAIMS	$ 0	$ 0
21	RESERVE FOR UNREPORTED CLAIMS	0	0
22	POLICY RESERVES-LIFE	5,246,375,323	7,232,055,096
23	POLICY RESERVES-ACCIDENT AND HEALTH	0	0
24	POLICYHOLDERS' FUNDS ON DEPOSIT	0	0
25	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS	0	0
26	OTHER INSURANCE RESERVES-LONG-TERM (Policy Holder Separate Accounts)	0	0
27	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES	5,246,375,323	7,232,055,096
	OTHER LIABILITIES		
28	INSURANCE AND REINSURANCE BALANCES PAYABLE	0	0
29	COMMISSIONS, EXPENSES, FEES AND TAXES	0	0
30	LOANS AND NOTES PAYABLE	0	0
31	(a) INCOME TAXES PAYABLE	0	0
	(b) DEFERRED INCOME TAXES	0	0
32	AMOUNTS DUE TO AFFILIATES	0	0
33	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	79,360	1,100,970
34	FUNDS HELD UNDER REINSURANCE CONTRACTS	0	0
35	DIVIDENDS PAYABLE	0	12,280,914
36	SUNDRY LIABILITIES:		
	(a) Fees due on funds held by ceding reinsurers	2,245,690	2,387,354
	(b)		
	(c)		
37	LETTERS OF CREDIT, GUARANTEES, AND OTHER INSTRUMENTS	0	0
38	**TOTAL OTHER LIABILITIES**	**2,325,050**	**15,769,239**
39	**TOTAL LONG-TERM BUSINESS INSURANCE RESERVES AND OTHER LIABILITIES**	**5,248,700,374**	**7,247,824,335**
	STATUTORY CAPITAL AND SURPLUS		
40	TOTAL STATUTORY CAPITAL AND SURPLUS	18,927,584	103,494,539
41	**TOTAL**	**$5,267,627,958**	**$7,351,318,874**

BERMUDA

THE INSURANCE ACT 1978
(Act No. 39 of 1978)

STATUTORY STATEMENT OF INCOME (Long-Term Business)

OPAL REASSURANCE LIMITED
for the year ended 31st December, 2008

Expressed In United States Dollars

STMT. LINE NO.		2008	2007
19	**PREMIUMS AND OTHER CONSIDERATIONS:**		
	(a) Life	$ 0	$ 0
	(b) Annuities	0	7,649,571,669
	(c) Accident and Health	0	0
	(d) Total premiums and other considerations	0	7,649,571,669
20	LONG-TERM BUSINESS INVESTMENT GAIN	263,624,407	209,161,916
21	OTHER INCOME	0	0
		263,624,407	7,858,733,585
	DEDUCTIONS		
23	Claims-Life	0	0
24	Policyholders' Dividends	0	0
25	Surrenders	0	0
26	Maturities	0	0
27	Annuities	439,886,102	607,514,215
28	Accident and Health benefits	0	0
29	Commissions	0	0
30	Other	0	0
31		439,886,102	607,514,215
32	OPERATING EXPENSES	1,133,011	1,451,641
33		(177,394,706)	7,249,767,730
34	INCREASE (DECREASE) IN POLICY RESERVES (Actuarial Liabilities)		
	(a) Life	0	0
	(b) Annuities	(81,720,904)	7,232,055,096
	(c) Accident and Health	0	0
	(d) Total Increase (decrease) in policy reserves	(81,720,904)	7,232,055,096
35	**INCOME BEFORE THE UNDERNOTED ITEMS**	**(95,673,802)**	**17,712,633**
37	OTHER INCOME (DEDUCTIONS)	73,095	(1,400,324)
38	**INCOME BEFORE TAXES**	**(95,600,707)**	**16,312,309**
39	INCOME TAXES (IF APPLICABLE):		
	(a) Current	0	0
	(b) Deferred	0	0
	(c) Total	0	0
40	**INCOME BEFORE REALIZED GAINS**	**(95,600,707)**	**16,312,309**
41	REALIZED GAINS	0	0
42	**NET INCOME**	**$ (95,600,707)**	**$ 16,312,309**

BERMUDA

THE INSURANCE ACT 1978
(Act No. 39 of 1978)

STATUTORY STATEMENT OF CAPITAL AND SURPLUS (Long-Term Business)

OPAL REASSURANCE LIMITED
as at 31st DECEMBER, 2008

Expressed In United States Dollars

STMT. LINE NO.		2008	2007
1	**STATUTORY CAPITAL:**		
	(a) Capital Stock —		
	authorized 50,200,000 shares of par value GBP 1 each,		
	Issued and fully paid 130,258 common shares	$ 258,336	$ 257,959
	Issued and fully paid 50,000,00 preference shares	128,453,000	99,215,000
	(b) Contributed surplus	0	0
	(c) Any other fixed capital:	0	0
	Total statutory capital	128,711,336	99,472,959
2	**STATUTORY SURPLUS:**		
	(a) Statutory Surplus — beginning of period	4,021,581	0
	(b) Add: Income for the period	(95,600,707)	16,312,309
	(c) Less: Dividends accrued	12,280,914	(12,280,914)
	(d) Add (Deduct): Change in unrealized appreciation (depreciation) of investments	0	0
	(e) Deduct: Change in non-admitted assets	(5,725)	(9,815)
	(f) Add (Deduct): Change in appraisal of real estate	0	0
	(g) Add (Deduct): Change in any other statutory surplus		0
	Loss on revaluation of prior year Statutory Surplus and Capital Stock	(30,479,815)	
	(h) Statutory Surplus — end of year	(109,783,752)	4,021,580
3	**TOTAL STATUTORY CAPITAL AND SURPLUS**	**$ 18,927,584**	**$103,494,539**

OPAL REASSURANCE LIMITED

NOTES TO THE STATUTORY FINANCIAL STATEMENTS
as at 31st DECEMBER, 2008

PART 1

1. and 2. Nature of Business

1. Opal Reassurance Limited (the "Insurer") was incorporated under the laws of Bermuda on January 22, 2007. On February 7, 2007, the Insurer was licensed as a Long-Term Insurer under the Insurance Act 1978, related regulations and amendments thereto (the "Act"). The Insurer commenced operations on February 7, 2007. The Insurer is majority owned by O-Re Holdings Netherlands B.V., a company incorporated in the Netherlands.

2. The Insurer was established to underwrite life and annuity reinsurance risks. During 2007, the Company signed reassurance treaties with three ceding companies which ultimately have largely common shareholders as O-Re Holdings UK Limited, the Company's ultimate parent. Under the terms of the treaty, the pension annuity in payment liabilities of the ceding companies were reassured. A premium of $7,649,571,669 was payable to the Company but this was withheld and placed in a collateral account. The ceding companies therefore retained legal ownership of these assets and will continue to hold them on their balance sheet. The Company has a fixed charge over the assets, which are reported as funds held by ceding companies in line 2 of the statutory balance sheet. The Company is required to maintain the value of the Funds held by ceding companies at an amount equal to 102% of the best estimate reserves, determined quarterly in arrears.

3. and 4. Significant Accounting Policies

3. The accompanying statutory financial statements have been prepared in accordance with the Insurance Act 1978, amendments thereto and related regulations (SAP).

(a) Basis of presentation

The preparation of financial statements in conformity with SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying statutory financial statements are for the year ended December 31, 2008.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business. In order to maintain appropriate levels of capital, the Company issued fully paid up preference shares to the existing shareholders in the amount of $47 million.

Markets in the United Kingdom and elsewhere have experienced extreme volatility and disruption for more than twelve months, due largely to the stresses affecting the global banking system, which accelerated significantly in the second half of 2008. The Insurer is exposed to significant financial and capital markets risk, including changes to equity values, interest rates and credit spreads which may have a material adverse effect on the Insured's results of operations, financial condition and liquidity. The Company expects to continue to face significant challenges and uncertainties that could materially adversely effect the Company's results of operations and financial condition.

At December 31, 2008, the Company was unable to comply with the requirement under the reassurance agreements with the ceding companies to maintain the value of the Funds held by ceding companies at an amount equal to 102% of the best estimate reserves; however, the ceding companies have agreed to waive this requirement.

In the event that there is further deterioration in the Company's financial position, particularly as regards compliance with the regulatory minimum solvency requirements, the directors believe that there are mitigating actions available to the Company to remedy the position. These actions include negotiating an amendment to

the Company's reassurance agreements to relieve the Company of a portion of its longest dated treaty payments in the event that the estimated cash flows from its assets fall short of its best estimated liabilities.

After making enquiries, taking into consideration the above matters and considering in detail the Company's regulatory capital requirements, 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 statutory financial statements. The statutory financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

(b) Cash and time deposits

Cash and time deposits include cash on deposit and highly liquid investments purchased with an original maturity of three months or less.

(c) Reinsurance balances receivable

Reinsurance balances receivable comprise amounts currently due to the Insurer under the Insurer's reinsurance contracts and are accounted for on an accrual basis.

(d) Funds held by ceding companies

Funds held by ceding companies are amounts receivable from cedents. They have been designated as at fair value through profit or loss on the basis that this receivable is managed and its performance evaluated on a fair value basis. The underlying assets owned by the cedents that comprise the receivable are financial investments.

Funds held by ceding companies that are included in the accounts are comprised of the following broad categories of investments:

Cash & short term investments	602,019,859
Bond and interest rate derivatives	(16,086,073)
Government bonds	394,536,263
Investment grade corporate and financial I bonds	1,377,163,559
Equities	14,619,000
Unquoted investments	421,423,124
Diversified portfolio of 3rd party managed absolute return funds	1,528,549,295
Credit, currency & interest swaps and futures	725,553,983
Private equity	1,870,656
Property	165,811,863
Total funds withheld	5,215,461,529

(e) Fair value of financial instalments

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 cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The carrying values of cash and time deposits and short-term debt approximate fair values due to their short-term nature. The carrying values of reinsurance balances receivable, accounts payable and accrued liabilities, and fees due on funds held by ceding reinsurers each approximate fair values due to their short-term nature.

(f) Policy reserves

The liability is based on the present value of all future cash flows under the contracts with allowance for risk and uncertainty. Cash flows reflect management's best estimate of the future. Liabilities are discounted at the risk- free rate specific to the liabilities plus an adjustment for liquidity premium. The allowance for risk and uncertainty reflects management's perception of the risk and uncertainty attaching to the cash flows from the portfolio of annuity contracts.

Profit is recognised in line with release from risk. Any difference between the expected future cash flows, after allowance for risk and uncertainty, and the premiums received is deferred and recognised in line with the release from risk.

To mitigate against the risk and uncertainty of mortality, the Insured calculates a market value margin reserve. The reserve is calculated using a cost of capital approach . Accordingly the margin is defined as the present value of a capital base multiplied by the cost of capital.

The capital base is calculated by projecting the cash flows on a best estimate mortality assumption basis for each block of assurance business. These cash flows are then multiplied by a capital factor to achieve the capital base. The capital factor has been calculated by adjusting the assumptions in the best estimate reserve and then expressing the movement as a percentage of the outstanding reserve.

Material judgement is required in calculating the long term business provision. In particular there is discretion over the assumptions used. The variance of the actual experience from that assumed may result in such liabilities differing from the provisions made for them.

All reinsurance liabilities are subject to a liability adequacy test. Any deficiency is recognised immediately in the statutory income statement. The test assesses whether the reinsurance liabilities are adequate, using current estimates of all future contractual cash flows, including claims handling costs, as well as cash flows resulting from embedded options and guarantees. The test is conducted at the level of portfolio of contracts that are subject to broadly similar risks, and which are managed together as a single portfolio.

Mortality, investment and inflation assumptions were changed in 2008 to reflect updated information, as discussed below.

Mortality

The final mortality basis is changed from that used in 2007. The cedent annually reviews experience over the last year and makes adjustments to their bases. The following is a comparison between 2007 and 2008.

	Pearl Direct	Pearl (NPLL)	London Life	NPI
Male 2008	112.5% RMV00	117.5% RMV92	100% PMA00	117.5% RMV92
Female 2008.	125% RFV00	117.5% RFV92	95% PFA00	117.5% RFV92
Male 2007	117.5% RMV00	115% RMV92	97.5% PMA00	115% RMV92
Female 2007.	107.5% RFV00	115% RFV92	97.5% PFA00	115% RFV92

Opal has reviewed the change in assumptions and the actual to expected experience of the business using the revised table against actual experience for the last three years. The results are shown in the following table.

	Experience	Basis	Gap
Pearl Direct: Males	114.5%	112.5%	2.0%
Pearl Direct: Females	129.2%	125%	4.2%
NPLL/NPIL: Males	121.6%	117.5%	4.1%
NPLL/NPIL: Females	131.8%	117.5%	14.3%
LL: Males	102.9%	100%	2.9%
LL: Females	102.6%	95%	7.6%

Assuming a split of males/females of 70%/30%, the mortality assumption could be increased by 2.66% for Pearl Direct, 7.16% for NPLL/NPIL, and 4.31% for London Life. The final reserve was based on adding 2.6% for Pearl Direct, 6.0% for NPLL/NPIL and 4.0% for London Life to the numbers shown on the previous page. The combined changes to the mortality assumptions resulted in a decrease in reserves of $110 million.

Improvement Factors

Males and females are based on the average of the medium and long-term cohorts with a floor of 3% to age 60 grading down to zero at age 110. There was no change to this assumption in 2008.

Inflation

The RPI (retail price index) factor used for linked annuities was 3.2% in 2007. This has been modified to 1.6% which is in line with recent actual inflation. This change produced a decrease in reserves of $16 million.

Investment Assumption

The discount factors used in the reserve calculation were changed at year-end 2008 to use LIBOR (as defined in the next paragraph) plus an adjustment for liquidity premium. At year-end 2007 only the LIBOR discount factors were used.

The discount factors for the calculation of policy reserves are derived from the zero-coupon swap curve consistent with the pound sterling swap curve.

In 2008 in response to changes in the market, an adjustment for liquidity premium was developed. In 2008, spreads on bonds rose to historical levels depressing the prices of securities held. To counter this impact, it was decided that the "liquidity premium" implicit in the spread should be added to the swap curve factors in arriving at the final discount rates. It was determined that 75% of the spread could be considered due to the liquidity risk in the portfolio. The other 25% was for default. This method is equivalent to starting with a market yield based on the portfolio and deducting for asset defaults. The addition of the liquidity premium adjustment decreased reserves by $348 million.

Market Value Margin

The second part of the total reserve is the market value margin (MVM), which has been calculated using what is referred to as the "cost of capital method". The cost of capital method defines the market value margin as the present value of a capital base multiplied by a cost of capital rate. The MVM at December 31, 2008 was $77 million (2007-$111 million).

4. (a) Premiums

Reinsurance premiums accepted are recognised as revenue when the contractual obligations are entered into.

(b) Investment income

Interest Income is accrued to the statutory balance sheet date. All gains and losses on financial assets designated as at fair value through profit or loss are recognised in the income statement in the period in which they arise, as part of long-term business investment gain on line 20 of the statutory statement of income. Net changes in the fair value of financial assets classified as at fair value through profit or loss includes interest income.

c) Commission income

Not applicable

5. Foreign currency transactions are transactions undertaken by the Insured other than in pounds sterling. Foreign currency transactions are translated into the functional currency at the foreign exchange rate ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rate ruling at the date when the fair value was determined.

6.-12. Not applicable.

13. Bermuda does not impose any form of taxation on receipts, dividends, capital gains, gifts or net income. In the event that such taxes are levied, the Insurer has received an assurance from the Bermuda government to be exempted from all such taxes until March 28, 2016.

PART II

1.-17. Not applicable.

20. Reserves for reported claims are based on reports provided by cedents .

21. Not applicable.

22. Policy Reserves-life

Assumptions are reviewed at each reporting date in order to incorporate relevant market information and management's best estimate of the future. All relevant information is taken into account, including both external market data and internal experience. Where actual experience in the reporting period differs from expectations, variances are recognised during the reporting period in which they occur. Financial assumptions (such as the discount rate) are based on market information where available and reliable. Otherwise, financial assumptions reflect management's best estimate of the future consistent with any relevant market information. Non-financial assumptions (such as mortality) are changed when actual experience indicates that the current assumptions are unlikely to be sustainable. Non-financial assumptions reflect management's best estimate of the future

Certain reinsurance liabilities are not subject to particular aspects of financial risk, such as liquidity risk. In such cases, the market risk free rate is adjusted to reflect the absence of these risks. As a proxy for determining this adjustment, the company considers the yield on debt instruments with similar characteristics, such as corporate bonds. The yield is adjusted to remove any premium for risks that are not relevant to the liability being evaluated, for example default risk. Where yield curves with sufficiently long duration are not available, the company extrapolates for longer durations.

23.-32. Not applicable.

Fees due on funds held by ceding reinsurers represent asset management, custody and other related investments expenses incurred prior to December 31 but not deducted from funds held for settlement until after year end.

36. Not applicable.

PART III

37. Other Income

Includes investment income earned on contributed capital less expenses incurred in establishment of the insurer.

41. Not applicable.

PART IV

1. (a) During the year ended December 31, 2008 the authorized capital stock was increased to 50,200,000 shares of a par value of £1.00, each undesignated as to class. During the year ended December 31, 2008, 778 Class A Ordinary Shares were issued and 520 Class B Ordinary shares were repurchased both at par. $29,238,000 (GBP 20,000,000) was received as additional capital. Subsequent to year end this additional capital was converted to 20,000,000 preference shares.

Holders of the preferred shares were entitled to a cumulative preferential dividend at the rate of 18% per annum for the initial twelve month period ended April 25, 2008 and thereafter at a rate of 8% per annum. The payment of any preferential dividend may be settled at the discretion of the Insurer by the issuance of further preference shares to the existing holders of preference shares. The preference shares can only be redeemed at the option of the Insurer. The holders of the preference shares are entitled to share rateably in the assets available for distribution on a winding up of the Insurer. The Insured was unable to declare a dividend at April 25, 2008 resulting in a reversal of the accrued dividend at Dec 31 2007. At such time that the Insured has sufficient retained earnings it will be liable as at Dec 31, 2008 for preferred dividends of $17,902,147 (GBP 12,245,808) which may be paid in cash or issuance of preference shares.

2. (b) None

B. (c) None.

The Insurer had issued 17,970 Warrants each of which entitle the holder to subscribe for one ordinary share par value £1.00 each. The warrants expired during the year ended December 31, 2008.

Annex A

PURCHASE AGREEMENT

BY AND AMONG

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY,

TDR CAPITAL NOMINEES LIMITED

and

THE OTHER PARTIES NAMED HEREIN

Dated June 27, 2009

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EXHIBITS

Exhibit A — Definitions

PURCHASE AGREEMENT

This PURCHASE AGREEMENT (this ***"Agreement"***) is made as of June 27, 2009, by and among Liberty Acquisition Holdings (International) Company, a Cayman Islands exempted company ***("Buyer"),*** Ian Ashken, as Buyer Representative, Matthew Allen ***("Allen"),*** Edward Hawkes ***("Hawkes"),*** Marc Jonas ***("Jonas"),*** Hugh Osmond ***("Osmond"***) and William Alan McIntosh, (***"McIntosh"***, and together with Allen, Hawkes, Osmond and Jonas, the ***"Sun Parties"***), Xercise Midco Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 06656837 ***("Xercise MC"),*** Xercise Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 0312755 ***("Xercise"),*** Jambright Midco Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 6656853 ***("Jambright MC"),*** Jambright Limited, a private company limited by shares incorporated under the laws of England and Wales with register number 05282298 ***("Jambright"),*** TDR Capital Nominees Limited, a private company organized in England and Wales ***("TDR"***, and, together with the Sun Parties, Jambright, Jambright MC, Xercise and Xercise MC, the ***"Sellers"***) and, solely for the purposes of Section 8.6(c)(ii), Berggruen Acquisition Holdings II Ltd., a company organized under the laws of the British Virgin Islands ***("Berggruen"),*** and Marlin Equities IV, LLC, a Delaware limited liability company (***"Marlin"*** and, together with Berggruen, the ***"Designated Founders")***, and, solely for the purposes articulated in Article VIII, O-Re Holdings UK Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 05997394 ***("O-Re UK"***) and O-Re Holdings (Netherlands) B.V., a private limited liability company incorporated under the laws of Netherlands registered with commercial number 345269992, (***"O-Re Netherlands"*** and collectively with O-RE UK, the ***"Opal Re Seller"***).

Preliminary Statements

Xercise MC owns all of the issued and outstanding Equity Securities of SCIL (the ***"SCIL Shares"***).

Jambright MC owns all of the issued and outstanding Equity Securities of HIOL (the ***"HIOL Shares"***)

The TC1 Shareholders (as defined herein) own all of the issued and outstanding Equity Securities of TC1 other than the Royal London TC1 Shares (the ***"TC1 Shares"***).

The Sun Parties and Xercise own certain of the TC1 Shares (the ***"Sun Parties TC1 Shares"***) and the Sun Parties shall procure that all other TC1 Shareholders sell their TC1 Shares to Buyer.

The TC2 Shareholders (as defined herein) own all of the issued and outstanding Equity Securities of TC2 other than the Royal London TC2 Shares (the ***"TC2 Shares"*** and together with the SCIL Shares, the HIOL Shares, the TC1 Shares and all other Equity Securities issued by SCIL, HIOL, TC1 or TC2 prior to Closing, the ***"Purchased Shares"***).

TDR and Jambright own certain of the TC2 Shares (the ***"TDR TC2 Shares"*** and together with the SCIL Shares, the HIOL Shares and Sun Parties TC1 Shares, and all other Equity Securities issued to the Sellers prior to Closing (the ***"Sellers Shares"***) and TDR shall procure that all other TC2 Shareholders sell their TC2 Shares to Buyer.

Buyer desires to purchase from the Shareholders (as defined herein), and the Sellers desire to sell and procure that all other Shareholders sell to Buyer, all of the Purchased Shares, upon the terms and subject to the conditions set forth herein.

Agreement

In consideration of the premises and of the mutual warranties, covenants and agreements hereinafter contained, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. *Defined Terms.* Capitalized terms used in this Agreement, the Exhibits and Schedules to this Agreement and the Disclosure Statements shall have the meanings specified in *Exhibit A*.

SECTION 1.2. *Rules of Construction.* The rules of construction specified in *Exhibit A* shall apply to this Agreement, the Exhibits and Schedules to this Agreement and the Disclosure Statements.

ARTICLE II

PURCHASE AND SALE OF PURCHASED SHARES

SECTION 2.1. *Purchase and Sale of Purchased Shares.*

(a) At the Closing, upon the terms and subject to the conditions set forth herein, Buyer shall purchase and acquire from each Seller, and each Seller shall sell, convey, transfer, assign and deliver to Buyer, free from all Liens and with Full Title Guarantee (other than Permitted Transfer Restrictions), all of the Sellers Shares in which such Seller has any right, title or interest, and Buyer shall purchase and acquire such Sellers Shares, in consideration for the payment of the portion of the Aggregate Purchase Price attributable to such Sellers Shares (being the issue of Issued Shares in exchange for the Sellers Shares). The Sellers Shares shall be sold with all rights attaching to them at the Closing or subsequently, including the rights to receive all dividends and other distributions declared, paid or made after the Closing.

(b) At the Closing, upon the terms and subject to the conditions set forth herein, the Sellers shall procure that each of the Shareholders (other than the Sellers) shall sell, convey, transfer, assign and deliver their Purchased Shares as listed in *Schedule 2.1(b)*, representing all of the Purchased Shares in which such other Shareholders have any right, title or interest, to Buyer free from all Liens and with Full Title Guarantee (other than Permitted Transfer Restrictions), and Buyer shall purchase and acquire such Purchased Shares in consideration for the payment of the proportion of the Aggregate Purchase Price attributable to such Purchased Shares (being the issue of Issued Shares in exchange for such Purchased Shares). Such Purchased Shares shall be sold with all rights attaching to them at the Closing or subsequently, including the rights to receive all dividends and other distributions declared, paid or made after the Closing.

(c) The aggregate consideration for all of the Purchased Shares (the ***"Aggregate Purchase Price"***), subject to adjustment pursuant to Section 8.4 of this Agreement and Section 8.4 of the Opal Re Agreement, shall be 36,418,936 newly created and issued Class B Ordinary Shares (the ***"Issued Shares"***) plus any contingent consideration issued pursuant to the Contingent Consideration Agreement.

(d) The Aggregate Purchase Price (together with the contingent purchase price which is to be provided pursuant to the terms of the Contingent Consideration Agreement) shall be allocated among the Shareholders as provided in *Schedule 2.1(d)-1*, such Aggregate Purchase Price shall be allocated among all Shareholders pro rata to their shareholdings. The Sellers, following signing and completion at the Rights Offer, shall provide the Buyer with an amended S*chedule 2.1(d) -1* which shall allocate the Aggregate Purchase Price to the Shareholders on a Shareholder by Shareholder basis. If the Sellers do not provide such amended *Schedule 2.1(d) -1*, the limitation on Claims provided in Article VIII shall be derived from the original *Schedule 2.1(d) -1.* As of the consummation of the Debt Restructuring and the transactions contemplated by the Opal Re Purchase Agreement, the share capital of Buyer shall be as set forth in *Schedule 2.1(d) -2.*

SECTION 2.2. *Conditions to Obligations of Buyer.* The obligations of Buyer and Buyer Representative to effect the Transaction are subject to the waiver by Buyer (where legally able to waive) or fulfillment at or

prior to the Closing Date of each of the following conditions (save that the condition at Section 2.2 (t) may not, so far as is legally possible, be waived):

(a) *Warranties.* The warranties set forth in Articles III and IV shall be true and correct except as would not have a Seller Material Adverse Effect, as of the date of this Agreement and as of the Closing Date, with the same effect as though made on and as of the date of this Agreement and the Closing Date, provided, however, that if, after public disclosure to the Buyer Shareholders of the failure of any such warranties in Articles III and IV to be true and correct as of the date of this Agreement, except as would not have a Seller Material Adverse Effect, the Requisite Shareholder Approval is nonetheless subsequently obtained, then this condition shall be deemed waived by Buyer with respect to any such warranties (it being understood and agreed that nothing herein shall be deemed to waive this condition with respect to the failure of the warranties in Articles III and IV to be so true and correct as of the Closing Date).

(b) *Performance of Obligations of the Sellers.* Each and all of the covenants and agreements of the Sellers to be performed or complied with pursuant this Agreement or any other Transaction Document, in each case on or prior to the Closing Date, shall have been performed and complied with in all material respects.

(c) *Litigation.* No Action shall have been overtly threatened in writing (which if instituted has a reasonable likelihood of success), instituted or pending which (i) is reasonably likely to make illegal, or to delay beyond the Termination Date or otherwise directly or indirectly restrain or prohibit, the consummation of the Transaction or otherwise have a Seller Material Adverse Effect or (ii) seeks to impose limitations on the ability of Buyer or any of its Affiliates effectively to exercise full rights of ownership of the Equity Securities of any of the Acquired Companies.

(d) *Laws.* There shall not following the date hereof have been enacted, entered, enforced, promulgated or deemed applicable to the Transaction any Law or any other action taken by any court or other Governmental Entity that has resulted, or could reasonably be expected to result, directly or indirectly, in either of the consequences referred to in Section 2.2(c).

(e) *Consents.* The Parties shall have obtained (i) each approval and consent listed on *Schedule 2.2(e)* substantially in the form attached as *Schedule 2.2(e)* with such changes as may be mutually acceptable to the Parties (each acting reasonably) that are requested by the Person providing such consent or approval and (ii) such other approvals and consents as the Parties may reasonably agree are necessary, in such form as the Parties may agree (each acting reasonably).

(f) *Antitrust Approvals.* (i) All waiting periods (and all extensions thereof) applicable to the consummation of the Transaction under any applicable Law shall have terminated or expired, and (ii) all antitrust and competition approvals and consents (other than those specified in clause (i)) from any jurisdiction in which it would be unlawful to complete the Transaction without such approvals and consents or in which the Buyer and Sellers judge it desirable (each acting reasonably) to apply for antitrust or competition approvals or consents for the Transaction, shall have been received on terms reasonably satisfactory to Buyer and all relevant antitrust and competition notifications and filings shall have been made.

(g) *Requisite Shareholder Approval.* The Requisite Shareholder Approval shall have been obtained for the matters submitted for a vote of the Buyer Shareholders in substantially the form of *Schedule 2.2(g)* and as the same will be set forth in the Proxy Statement.

(h) *Transaction Documents.* Each of the Transaction Documents shall have been executed and delivered, as applicable, by each of the parties to such Transaction Documents other than Buyer and Buyer Representative in form and substance reasonably satisfactory to Buyer.

(i) *Restructuring of Debt.* The finance parties shall have confirmed in writing, to the satisfaction of Buyer in its sole discretion, that all conditions to the debt restructuring (the ***"Debt Restructuring"***) will be satisfied or waived by the finance parties immediately following Closing.

(j) *Reorganization.* The Acquired Companies shall have completed those portions of the Company Reorganization designated to be completed prior to Closing in accordance with *Schedule 2.2(j)* pursuant to documents reasonably satisfactory to Buyer.

(k) *Buyer Organizational Documents.* The actions specified in Section 6.13 regarding Buyer's Organizational Documents shall have been completed.

(l) *Warrant Amendment and Mandatory Redemption.* The Warrant Amendment shall have been completed and all necessary actions to complete the Mandatory Redemption immediately following the Closing shall have been taken.

(m) *FSA.* The FSA, and any other relevant Regulator, shall have, to the extent necessary, approved or be deemed to have approved the acquisition by Buyer (and its direct or indirect controllers (whether bodies corporate or individuals)) of control over any Acquired Company which is authorized or regulated by the FSA, or any other relevant Regulator, either unconditionally or subject to the fulfillment of certain conditions or obligations acceptable to Buyer (such acceptance not to be unreasonably withheld or delayed if the relevant conditions or obligations are not, in Buyer's reasonable opinion, unduly onerous, provided that (without limitation) any obligation or condition which requires Buyer or any Subsidiary of Buyer or any Acquired Company to dispose of any material part of its business shall, for these purposes, be considered to be unduly onerous).

(n) *Staff Pension Scheme.* The conditions in paragraph 2.1(i) to 2.1(iv) of the relevant agreement attached as *Schedule 2.2(n)* (the ***"Pension Reorganization"***) have been satisfied and the Pension Reorganization will become effective immediately on Closing.

(o) *City Code on Takeovers and Mergers.* There shall be no actual or contingent obligation on any Person under the City Code on Takeovers and Mergers to take or refrain from taking any action in connection with the acquisition of the Purchased Shares and any other matters relating to the Agreement prior to Closing, including any action in connection with the share capital of any Acquired Company or its Affiliates.

(p) *Opal Re.* All conditions to the transaction contemplated by the Opal Re Purchase Agreement (other than Closing) shall have been satisfied or waived in full such that the closing of the transactions contemplated by the Opal Re Purchase Agreement may occur simultaneously with the Closing.

(q) *Related Party Agreements.* All of the related party agreements and arrangements specified in *Schedule 2.2(q)* shall have been confirmed, amended or terminated as provided in *Schedule 2.2(q)* (the ***"Related Party Arrangements"***) pursuant to documents reasonably satisfactory to Buyer.

(r) *TC1 Cash on Hand.* Immediately prior to the Closing, either (i) if TC1 shall have given effect to the TC1 Rights Offer and/or the transactions contemplated by the Subscription Agreement, an amount equal to £25,000,000 (the ***"TC1 New Capital"***), of which £23,513,789 being the amount to be paid to TC1 pursuant to the terms of the TC1 Rights Offer and/or Subscription Agreement and £1,486,211 of which being derived from loan repayments from Xercise, shall remain standing to the credit of TC1 in a bank account of TC1 to be mutually agreed upon by the Seller and Buyer, or (ii) if TC1 shall not have given effect to the TC1 Rights Offer and/or the transactions contemplated by the Subscription Agreement, an amount equal to the TC1 New Capital, as procured by the Sellers by means other than the TCI Rights Offer and/or Subscription Agreement and approved by Buyer (acting reasonably), shall remain standing to the credit of TC1 in a bank account to be mutually agreed upon by the Seller and Buyer. All of such funds shall not be subject to any Liens or and shall be freely available for use without delay in accordance with the provisions set out in the Company Reorganization.

(s) *TC2 Cash on Hand.* Immediately prior to the Closing, either (i) if TC2 shall have given effect to the TC2 Rights Offer and/or the transactions contemplated by the Subscription Agreement, an amount equal to £50,000,000 (the ***"TC2 New Capital"***), of which £48,513,789 being the amount to be paid to TC2 pursuant to the terms of the TC2 Rights Offer and/or Subscription Agreement and £1,486,211 of which being derived from loan repayments from Jambright, shall remain standing to the credit of TC2 in

a bank account of TC2 to be mutually agreed upon by the Seller and Buyer, or (ii) if TC2 shall not have given effect to the TC2 Rights Offer and/or the transactions contemplated by the Subscription Agreement, an amount equal to the TC2 New Capital, as procured by the Sellers by means other than the TC2 Rights Offer and/or Subscription Agreement as approved by Buyer (acting reasonably), shall remain standing to the credit of TC2 in a bank account to be mutually agreed upon by the Seller and Buyer. All of such funds shall not be subject to any Liens and shall be freely available for use without delay in accordance with the provisions set out in the Company Reorganization.

(t) *Royal London.* All conditions to the transactions contemplated by the Royal London Settlement Deed shall have been satisfied or waived in full such that closing of the Royal London Settlement Deed may occur simultaneously with the Closing.

SECTION 2.3. *Conditions to Obligations of Sellers.* The obligations of the Sellers to effect the Transaction are subject to the waiver by each of the Sellers (where legally able to waive) or fulfillment at or prior to the Closing Date of each of the following conditions (save that the condition at Section 2.3 (p) may not, so far as is legally possible, be waived):

(a) *Warranties.* The warranties of Buyer set forth in Article V shall be true and correct except as would not have a Buyer Material Adverse Effect, as of the date of this Agreement and as of the Closing Date, with the same effect as though made on and as of the date of this Agreement and the Closing Date.

(b) *Performance of Obligations of Buyer.* Each and all of the covenants and agreements of Buyer to be performed or complied with pursuant to this Agreement or any other Transaction Document, in each case on or prior to the Closing Date, shall have been performed and complied with in all material respects.

(c) *Litigation.* No Action shall have been overtly threatened in writing (which if instituted has a reasonable likelihood of success), instituted or pending which (i) is reasonably likely to make illegal, or to delay beyond the Termination Date or otherwise directly or indirectly restrain or prohibit, the consummation of the Transaction or otherwise have a Buyer Material Adverse Effect or (ii) seeks to impose limitations on the ability of Buyer or any of its Affiliates effectively to exercise full rights of ownership of the Equity Securities of any of the Acquired Companies.

(d) *Laws.* There shall not following the date hereof have been enacted, entered, enforced, promulgated or deemed applicable to the Transaction any Law or any other action taken by any court or other Governmental Entity that has resulted, or could reasonably be expected to result, directly or indirectly, in either of the consequences referred to in Section 2.3(c).

(e) *Consents.* The Parties shall have obtained (i) each approval and consent listed on *Schedule 2.2(e)* substantially in the form attached as *Schedule 2.2(e)*, with such changes as may be mutually acceptable to the Parties (each acting reasonably) that are requested by the Person providing such consent or approval and (ii) such other approvals and consents as the Parties may reasonably agree are necessary, in such form as the Parties may agree (each acting reasonably).

(f) *Antitrust Approvals.* (i) All waiting periods (and all extensions thereof) applicable to the consummation of the Transaction under any applicable Law shall have terminated or expired, and (ii) all antitrust and competition approvals and consents (other than those specified in clause (i)) from any jurisdiction in which it would be unlawful to complete the Transaction without such approvals and consents or in which the Sellers and Buyer judge it desirable (each acting reasonably) to apply for antitrust or competition approvals or consents for the Transaction, shall have been received on terms reasonably satisfactory to the Sellers and all relevant antitrust and competition notifications and filings shall have been made.

(g) *Requisite Shareholder Approval.* The Requisite Shareholder Approval shall have been obtained for the matters submitted for a vote of the Buyer Shareholders in substantially the form of *Schedule 2.2(g)* and as the same will be set forth in the Proxy Statement.

(h) *Transaction Documents*. Each of the Transaction Documents shall have been executed and delivered, as applicable, by each of the parties to such Transaction Documents other than the Sellers and Acquired Companies in form and substance reasonably satisfactory to the Sellers.

(i) *Buyer Organizational Documents*. The actions specified in Section 6.13 regarding Buyer's Organizational Documents shall have been completed.

(j) *Warrant Amendment and Mandatory Redemption*. The Warrant Amendment shall have been completed and all necessary actions to complete the Mandatory Redemption immediately following the Closing shall have been taken.

(k) *Cash On Hand*. Immediately following the wire transfers to occur pursuant to *Section 2.4(c)(iv)* in accordance with the flow of funds memorandum described therein, Buyer shall have no less than the sum of £450,000,000 in cash in the Trust Account or pursuant to the contingent subscription agreement between the Sellers and the Buyer dated the date hereof.

(l) *Restructuring of Debt*. The finance parties shall have confirmed in writing, to the satisfaction of the Sellers in their sole discretion, that all conditions to the Debt Restructuring will be satisfied or waived by the finance parties immediately following Closing.

(m) *Reorganization*. The Acquired Companies shall have completed those portions of the Company Reorganization designated to be completed prior to Closing in accordance with *Schedule 2.2(j)* pursuant to documents reasonably satisfactory to the Sellers.

(n) *FSA*. The FSA, and any other relevant Regulator, shall have, to the extent necessary, approved or be deemed to have approved the acquisition by Buyer (and its direct or indirect controllers (whether bodies corporate or individuals)) of control over any Acquired Company which is authorized or regulated by the FSA, or any other relevant Regulator, either unconditionally or subject to the fulfillment of certain conditions or obligations acceptable to the Sellers (such acceptance not to be unreasonably withheld or delayed if the relevant conditions or obligations are not, in the Sellers' reasonable opinion, unduly onerous, provided that (without limitation) any obligation or condition which requires the Sellers or any Acquired Company to dispose of any material part of the Business shall, for these purposes, be considered to be unduly onerous).

(o) *Staff Pension Scheme*. The conditions in paragraph 2.1(i) to 2.1(iv) of the relevant agreement attached as *Schedule 2.2(n)* have been satisfied and the Pension Reorganization will become effective immediately on Closing.

(p) *Royal London*. All conditions to the transactions contemplated by the Royal London Settlement Deed shall have been satisfied or waived in full such that closing of the Royal London Settlement Deed may occur simultaneously with the Closing.

(q) *Opal Re*. All conditions to the transactions contemplated by the Opal Re Purchase Agreement (other than completion of this Agreement) shall have been satisfied or waived in full such that the closing of the transactions contemplated by the Opal Re Purchase Agreement may occur simultaneously with the Closing.

(r) *Related Party Agreements*. The Related Party Arrangements shall have been completed pursuant to documents reasonably satisfactory to the Sellers.

SECTION 2.4. *Closing*.

(a) The closing of the purchase and sale of the Purchased Shares (the ***"Closing"***) will take place (i) at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, England on the fifth Business Day following the fulfillment or waiver of all conditions set forth in Sections 2.2 and 2.3 or (ii) at such other place, date and time as the Sellers and Buyer may agree in writing.

(b) At the Closing, the Sellers will deliver or make available to Buyer the following:

(i) transfers of all of the Purchased Shares in favor of Buyer, or any nominee specified by Buyer for the purpose, duly executed by or on behalf of each Shareholder;

(ii) the share certificates representing all of the Purchased Shares or an indemnity in a form satisfactory to Buyer for any missing share certificates;

(iii) a deed of release of each Lien over any of the Purchased Shares in the form set out in *Schedule 2.4(b)(iii)* duly executed by the Person to whom that Lien was granted, if any;

(iv) the Seller Disclosure Statement as amended or supplemented pursuant to Section 9.10(b) signed by or on behalf of the Sellers;

(v) all other instruments, agreements, certificates and documents required to be delivered by any Seller at or prior to the Closing Date pursuant to this Agreement or any other Transaction Document;

(vi) at the offices of the Parents, the seal (if any), statutory registers, certificate of incorporation (and any certificate of incorporation on change of name), minute books and share certificate books of the Parents, complete and up-to-date up to but not including the Closing; and

(vii) bank statements in respect of each of TC1 and TC2, each dated as of the close of business on the Business Day immediately preceding the Closing, showing an amount equal to at least the TC1 New Capital and TC2 New Capital, respectively, and such other documentary evidence as reasonably required by Buyer to demonstrate such funds are freely available and not subject to any Liens (which shall include the source of such funds so that Buyer can verify that the amounts in the bank accounts represent new capital, whether raised pursuant to the Rights Offer, the Subscription Agreement of otherwise).

(c) At the Closing, Buyer will deliver to the Sellers the following:

(i) certified copies of extracts from Buyer's register of members showing the Issued Shares as having been allocated to each Shareholder in accordance with *Schedule 2.1(d)-1*, and any other documents that are necessary or customary in the relevant jurisdiction to issue to the Shareholders good title to all the Issued Shares free and clear of any Liens (other than Permitted Transfer Restrictions);

(ii) the Buyer Disclosure Statement as amended or supplemented pursuant to Section 9.10(c) signed by or on behalf of Buyer;

(iii) all other instruments, agreements, certificates and documents required to be delivered by Buyer at or prior to the Closing Date pursuant to this Agreement or any other Transaction Document;

(iv) wire transfers of immediately available funds of all Available Cash (less the amounts set forth in the flow of funds memorandum for legal, accounting, investment banking and other fees and expenses associated with structuring, negotiating and documenting an initial business combination), in cleared funds, in accordance with a flow of funds memorandum to be agreed upon by the Parties (acting reasonably) no later than three Business Days prior to the Closing; and

(v) resignations, effective as of the Closing, of all officers and directors of Buyer on terms reasonably satisfactory to each of the Parties.

(d) At the Closing, Buyer will issue to the persons listed on *Schedule 2.4(d)* 500,000 Class B Ordinary Shares as allocated in such *Schedule 2.4(d)* and deliver certified copies of extracts from Buyer's register of members showing such Class B Ordinary Shares as having been so allocated and any other documents as are necessary or customary in the relevant jurisdiction to issue to such persons good title to such Class B Ordinary Shares free and clear of any Liens (other than Permitted Transfer Restrictions).

SECTION 2.5. *Transfer Taxes*. All applicable sales and transfer Taxes due as a result of the sale of the Purchased Shares, in each case, if any, and filing, recording, registration, stamp, documentary and other Taxes and fees payable in connection with the sale of the Purchased Shares will be paid by Buyer. All applicable sales and transfer Taxes due as a result of the issuance of the Issued Shares and filing, recording, registration,

stamp, documentary and other Taxes and fees payable in connection with the issuance of the Issued Shares, in each case, if any, will be paid by Buyer.

ARTICLE III

BASIC WARRANTIES OF SELLERS

Each of Xercise, Xercise MC, Jambright, Jambright MC and TDR, in the case of Sections 3.1 and 3.2, and all of the Sellers (including Xercise, Xercise MC, Jambright, Jambright MC and TDR) in each of the other sections in this Article III, severally warrant, as of the date hereof and as of the Closing Date (provided, that as of the Closing Date, the warranties specified in Section 3.3 (other than the first sentence) shall apply to *Schedule 3.3* as updated as of the Closing Date), to Buyer as follows:

SECTION 3.1. *Binding Obligation.* Each of Xercise, Xercise MC, Jambright, Jambright MC and TDR (a) is duly incorporated or formed under the laws of the jurisdiction where it is organized, (b) has the corporate, company, partnership, trust or other power, authority and legal right to execute and deliver each Transaction Document delivered by such party and to perform such party's obligations hereunder and thereunder and (c) has duly authorized the execution, delivery and performance by such party of each Transaction Document to which such party is a party.

SECTION 3.2. *No Breach.* None of the execution, delivery or performance by each of Xercise, Xercise MC, Jambright, Jambright MC or TDR of any Transaction Document delivered by each of Xercise, Xercise MC, Jambright, Jambright MC and TDR or the consummation of the Transaction (a) requires any Consent or Permit applicable to such party which has not been obtained prior to the date hereof, (b) results in the creation of any Lien upon any of the properties or assets of any of the Acquired Companies, or (c) conflicts with, or results in a breach or violation of or a default under, or gives rise to a right of amendment, termination, cancellation or acceleration of any obligation or to a loss of a benefit under (i) any Contract of such party, or any of its Affiliates or any Contract of any of the Acquired Companies, (ii) any Law, License or Permit or other requirement to which such Person or such Person's properties or assets are subject, or to which any of the Acquired Companies or any of their properties or assets are subject, or (iii) the Organizational Documents of any of the Acquired Companies or such party, except for, in the case of (a), (b), (c)(i) or (c)(ii), those which would not have a Seller Material Adverse Effect or would not reasonably be expected to have, individually or in the aggregate, an adverse effect on the ability of such party to consummate the Transaction.

SECTION 3.3. *Execution and Title.* Each Transaction Document to which a Seller is a party has been duly executed and delivered by such Seller and constitutes the legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights in general and by general principles of equity. Each Shareholder is either the legal and beneficial owner of the number of Purchased Shares set forth opposite such Shareholder's name on *Schedule 3.3 Part I*, free and clear of any Liens (other than Permitted Transfer Restrictions), or is the legal owner of the number of Purchased Shares set forth opposite such Shareholder's name on *Schedule 3.3 Part II*, free and clear of any Liens (other than Permitted Transfer Restrictions). Where applicable, set forth on *Schedule 3.3 Part II* is the name or names of the beneficial owners of the Purchased Shares (and the number of such Purchased Shares beneficially held by them) held by the legal owners named in that *Schedule 3.3 Part II*. The legal owners of the Purchased Shares set forth on *Schedule 3.3 Part II* each have full authority on behalf of the applicable beneficial owners of such Purchased Shares to transfer those Purchased Shares free and clear of any Liens (other than Permitted Transfer Restrictions). The number of Purchased Shares set forth opposite such Shareholder's name in *Schedule 3.3* constitute all of the Purchased Shares over which any voting or dispositive power is held by such Shareholder.

SECTION 3.4. *No Brokers.* Except as set forth in the Seller Disclosure Statement, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act

on behalf of such Seller and who is or might be entitled to any fee, commission or payment in connection with the negotiation, preparation, execution or delivery of any Transaction Document or the consummation of the Transaction. Any payment to which any Person referred to in the Seller Disclosure Statement is entitled is payable only by such Seller.

SECTION 3.5. *Governmental Approvals.* Other than as set forth in this Agreement, including Section 2.3, no Consent or Order of, with or to any Governmental Entity or other Person is required to be obtained or made by or with respect to such Seller in connection with the execution, delivery and performance by such Seller of any Transaction Document or the consummation by such Seller of the Transaction, other than any Consent or Order the failure to obtain or make any such Consent or Order would not reasonably be expected to have a material adverse effect on the ability of the Acquired Companies to conduct the Business in all material respects as currently conducted and as presently proposed to be conducted.

SECTION 3.6. *Due Consideration and Solvency.* Each Seller (a) in the case of those Sellers which are corporate entities (including any trusts) is entering into this Agreement in good faith and, having considered the proportion of the Aggregate Purchase Price to be allocated to it as provided in *Schedule 2.1(d)-1*, believes that the entry into this Agreement is for the benefit of that Seller, and (b) in the case of those Sellers who are individuals, to his or her knowledge and belief, is not insolvent and, having considered the proportion of the Aggregate Purchase Price to be allocated to him/her as provided in *Schedule 2.1(d)-1*, does not anticipate that he/she will become insolvent by reason of the transaction contemplated solely by this Agreement.

ARTICLE IV

WARRANTIES CONCERNING THE ACQUIRED COMPANIES

The Sellers, severally, hereby warrant, as of the date hereof and as of the Closing Date (provided that as of the Closing Date the warranties specified in Section 4.6(a) and 4.6(b) shall apply to *Schedule 4.6(a)* and *Schedule 4.6(b)* as updated as of the Closing Date), to Buyer that, other than as set forth in the Seller Disclosure Statement or as required by the Implementation Agreement:

SECTION 4.1. *Organization.*

(a) Each of the Acquired Companies is duly formed and validly existing under the laws of the jurisdiction where it is organized, as disclosed on *Schedule 4.1(a).* Each of the Acquired Companies has all requisite corporate, partnership or other power and authority to own, lease and operate its assets and properties and to carry on the Business as presently conducted. Each of the Acquired Companies is duly qualified to transact business in each jurisdiction in which the ownership, leasing or holding of its properties or the conduct or nature of its business makes such qualification necessary, except where the failure to be so qualified would not have a Seller Material Adverse Effect. The Organizational Documents, minute books, stock certificate books and stock transfer books of the Parents previously delivered or made available to Buyer are true and complete copies as amended to date.

(b) Listed on *Schedule 4.1(b)* are all Subsidiaries or Affiliates of any of the Acquired Companies other than other Acquired Companies.

(c) *Schedule 4.1(c)* sets forth a complete list of the current directors and executive officers of each of the Acquired Companies.

SECTION 4.2. *Authority.* Each of the Acquired Companies has all requisite corporate, partnership or other power and authority to execute and deliver each Transaction Document delivered by it and to perform all of its obligations under the Transaction Documents. The execution, delivery and performance by each of the Acquired Companies of each Transaction Document to which it is a party delivered by it and the consummation of the transactions contemplated to be performed by it under the Transaction

Documents to which it is a party have been duly authorized by all necessary and proper corporate, partnership or other action on the part of the Acquired Companies.

SECTION 4.3. *No Breach.* None of the execution, delivery or performance by the Acquired Companies of any Transaction Document or the consummation by the Acquired Companies of the Transaction does or will, with or without the giving of notice or the lapse of time or both, (a) require any License or Permit applicable to any of the Acquired Companies, (b) result in the creation of any Lien upon any of the properties or assets of any of the Acquired Companies (except for Permitted Liens) or (c) conflict with, or result in a breach or violation of or a default under, or give rise to a right of amendment, termination, cancellation or acceleration of any obligation or to a loss of a benefit under (i) the Organizational Documents of any of the Acquired Companies, (ii) any Contract of any of the Acquired Companies or (iii) assuming compliance with the matters referred to in the Seller Disclosure Statement, any Law, License or Permit or other requirement to which the Acquired Companies or any of its properties or assets are subject, except, in the case of (a), (b), (c)(ii) or (c)(iii) for those which would not have a Seller Material Adverse Effect.

SECTION 4.4. *No Brokers.* There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of any of the Acquired Companies who is or might be entitled to any fee, commission or payment from any of the Acquired Companies in connection with the negotiation, preparation, execution or delivery of any Transaction Document or the consummation of the Transaction.

SECTION 4.5. *Governmental Approvals.* Other than as set forth in this Agreement, no Consent or Order of, with or to any Governmental Entity or other Person is required to be obtained or made by or with respect to any of the Acquired Companies in connection with the execution, delivery and performance by any of the Acquired Companies of any Transaction Document or the consummation of the Transaction, except for any failure to obtain or make such Consent or Order which would not have a Seller Material Adverse Effect.

SECTION 4.6. *Capitalization.*

(a) *Schedule 4.6(a)* sets forth (i) the authorized Equity Securities of each of the Acquired Companies, (ii) the number of Equity Securities of each of the Acquired Companies that are issued and outstanding and the legal and beneficial owners thereof, and (iii) the number of Equity Securities of each of the Acquired Companies that is held of record by each of the Shareholders. All of the outstanding Equity Securities of each of the Acquired Companies are duly authorized, validly issued and fully paid and were not issued in violation of, and are not subject to, any preemptive rights. There are no bonds, debentures, notes or other Indebtedness of any type whatsoever of the Acquired Companies having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which any holders of Equity Securities of any of the Acquired Companies may vote. Except for rights granted to Buyer under this Agreement, there are no outstanding options, warrants, calls, demands, rights to receive shadow equity, Contracts or other rights of any nature to purchase, obtain or acquire or otherwise relating to, or any outstanding securities or obligations convertible into or exchangeable for, or any voting agreements with respect to, any Equity Securities of any of the Acquired Companies or any other securities of any of the Acquired Companies and none of the Acquired Companies is obligated, pursuant to any securities, options, warrants, calls, demands, Contracts or other rights of any nature or otherwise, now or in the future, contingently or otherwise, to issue, deliver, sell, purchase or redeem any Equity Securities of any of the Acquired Companies, any other securities of the Acquired Companies or any interest in or assets of the Acquired Companies to or from any Person or to issue, deliver, sell, purchase or redeem any stock appreciation rights or other Contracts of the Acquired Companies relating to any Equity Securities of any of the Acquired Companies or other securities of any of the Acquired Companies to or from any Person.

(b) The Shareholders are the legal and beneficial owners of all of the Purchased Shares, *provided* that with respect to the Purchased Shares legally owned by TDR, while TDR is the legal owner of all such Purchased Shares and has the authority to transfer beneficial ownership of such Purchased Shares,

TDR is not the beneficial owner thereof. The beneficial owners of the Purchased Shares legally owned by TDR are set forth on *Schedule 4.6(b).*

(c) All of the outstanding Equity Securities of the Acquired Companies have been issued in compliance with all requirements of Laws and Contracts applicable to the Acquired Companies and the Equity Securities of the Acquired Companies.

SECTION 4.7. *Financial Information.*

(a) The Management Accounts have been prepared in good faith and with due care, using accounting policies and bases consistent with those used in preparing the Accounts, from and in accordance with the books, accounts and financial records of the Acquired Companies (which accurately and consistently reflect all material transactions to which the Acquired Companies were parties during the periods set forth) and present fairly, in all material respects, the consolidated, and not misleading, financial position of the Acquired Companies as of the dates set forth therein and the consolidated results of their operations and their cash flows for the periods set forth therein.

(b) Each of the Acquired Companies has established adequate internal controls for purposes of preparing the Acquired Companies' periodic financial statements and the Accounts.

(c) No Acquired Company has any Off Balance Sheet Arrangement.

(d) Other than Liabilities (i) stated or fully reserved against in the Accounts or the Management Accounts or (ii) incurred as a result of or arising out of the Transaction, no Acquired Company has any material Liability that would be required to be included in the Accounts and/or Management Accounts.

(e) The Accounts were prepared under the historical cost convention and in accordance with applicable Statements of Standard Accounting Practice, Financial Reporting Standards, statements from the Urgent Issues Task Force, other UK GAAP or IFRS and the Companies Act 1985 or Companies Act 2006 (as applicable). The Accounts give a true and fair view of the state of affairs of each Acquired Company as at the end of each financial year to which they relate and of its profit or loss for the period ended on that date. Except as noted in the Accounts, the profits of the Acquired Companies disclosed in the Accounts were not affected by any exceptional items or any other unusual or non-recurring items. The Accounts have been prepared applying accounting policies consistently as from one financial year to the next. As of December 31, 2008, no Acquired Company had any Liability (whether actual, contingent, unquantified or disputed) or outstanding capital commitment which was not disclosed, provided for or noted in the Accounts to the extent required to be so disclosed, provided for or noted in accordance with UK GAAP or IFRS, as applicable.

SECTION 4.8. *Absence of Material Adverse Effect and Certain Events.*

(a) No conditions, circumstances or facts exist, and since December 31, 2008, there have not been any events, occurrences, changes, developments or circumstances, which have had a Seller Material Adverse Effect.

(b) From and after December 31, 2008, the Acquired Companies have conducted the Business in the Ordinary Course of Business.

(c) Other than with regard to Investment Interests, the Acquired Companies have not since December 31, 2008 taken any action of the type referred to in Section 6.1(b) or Section 6.1(c).

SECTION 4.9. *Taxes.*

(a) Each of the Acquired Companies has filed all material Tax Returns required to be filed by it ***("Company Tax Returns")***. All such Company Tax Returns were at the time of filing believed by the relevant Acquired Company to be correct and complete in all material respects, save to the extent that certain information was disclosed to the applicable taxing authority as outstanding. All Company Tax Returns for the financial year ended December 31, 2006 and for the financial year ended December 31, 2007 (or on any other

dates during those calendar years) have been timely filed with the appropriate tax authorities in all jurisdictions in which such Company Tax Returns are or were required to be filed.

(b) All Taxes due and owing by each of the Acquired Companies (whether or not shown on any Company Tax Return) have been paid or adequate reserves therefor have been provided for in the Acquired Companies' Accounts in accordance with applicable generally accepted accounting principles that the Acquired Companies have adopted in the jurisdiction in which the Acquired Companies' Accounts are prepared and filed.

(c) Each of the Acquired Companies has timely withheld any material amounts from their past, present and prospective employees, directors, customers, shareholders, creditors, independent contractors, and others from whom they are or were required to withhold Taxes in compliance with all applicable Laws and has timely paid all such withheld amounts to the appropriate taxing authorities.

(d) To the Knowledge of the Sellers, the Sellers do not expect any Governmental Entity to assess any material additional Taxes for an Acquired Company in excess of (i) Taxes for which provision is made in the Acquired Companies' Accounts and (ii) in respect of the period from December 31, 2008 to Closing, Taxes arising in the Ordinary Course of Business of the Acquired Companies other than Taxes arising from or in connection with the Company Reorganization or the Debt Restructuring. There is no audit, examination, claim, assessment, levy, deficiency, administrative or judicial proceeding, lawsuit or refund Action pending or threatened (either in writing or verbally, formally or informally) with respect to any material Taxes for which any Acquired Company is, or is to the Knowledge of the Sellers, expected by the Sellers to be, liable, and no taxing authority has given notice (either in writing or verbally, formally or informally) of the commencement of any audit, examination or deficiency Action with respect to any such Taxes. References to Taxes in this Section 4.9(d) include, for the avoidance of doubt, Taxes arising in connection with any transfer pricing adjustment and disallowance of any loan relationship debit.

(e) None of the Acquired Companies has received notice of any claim by any taxing authority in a jurisdiction where such Acquired Company does not file Company Tax Returns that such Acquired Company is or may be subject to material Taxation by that jurisdiction.

(f) No Liens for Taxes exist with respect to any of the assets or properties of any Acquired Company, except for Permitted Liens.

(g) To the Knowledge of the Sellers, no Acquired Company is liable, nor does any Acquired Company have any potential Liability, for the Taxes (or amounts in respect of Taxes including by way of damages) of another Person (other than another Acquired Company) (i) under any applicable Tax Law, (ii) as a transferee or successor, or (iii) by Contract, indemnity, representation, warranty or otherwise. To the Knowledge of the Sellers, none of the Acquired Companies has any Liability to make a payment for or refund of a payment for group relief (within the meaning of Chapter IV of Part X ICTA) or for or in connection with the entering into of a joint election pursuant to the provisions of sections 171A or 179A of the Taxation of Chargeable Gains Act 1992) or paragraph 66 of schedule 29 Finance Act 2002 or in connection with claims pursuant to paragraphs 56 or 57 of schedule 29 Finance Act 2002 (in each case, other than to another Acquired Company).

(h) Each of the Acquired Companies has collected all material sales, use and value added Taxes required to be collected, and has remitted, or will remit within the time and in the manner prescribed by law, such amounts to the appropriate taxing authority and has furnished properly completed exemption certificates for all exempt transactions where applicable.

(i) Neither the signing of this Agreement nor completion of the acquisition of the Purchased Shares by Buyer will give rise to or result in a Tax Liability for any Acquired Company (other than any stamp duty reserve tax or stamp duty) by reason of any events or transactions that have occurred prior to the date of such signing or completion, other than any events or transactions involved in, or in connection with, the Company Reorganization or the Debt Restructuring.

(j) Each Acquired Company is, always has been and will be at Closing resident for the purposes of all Taxes in its place of incorporation only. No Acquired Company has ever had nor will have at Closing any permanent establishment or other taxable presence in any jurisdiction other than its place of incorporation.

(k) There are no Employment Related Securities in relation to any Acquired Company.

(l) Within 14 days of the acquisition of any Restricted Securities, a valid joint election under section 431(1) ITEPA has been entered into by the relevant employer and the relevant employee or director (or former or prospective employee or director as appropriate).

(m) No Employment Related Securities have been acquired partly-paid or otherwise with all or any part of the purchase price left outstanding after the date on which those securities were acquired and in respect of which at the date hereof continue to be partly-paid or otherwise to have any part of the purchase price left outstanding.

(n) Since September 28, 2008 there has been no waiver or forgiveness of the requirement, obligation or undertaking to pay up any outstanding amounts or consideration in respect of any Employment Related Security.

SECTION 4.10. *[Intentionally Omitted].*

SECTION 4.11. *Assets and Properties.*

(a) Each of the Acquired Companies (other than insofar as it relates to their Investment Interests) has (i) good and marketable title to all of its material assets and properties (whether real, personal or mixed, or tangible or intangible) (including all assets and properties provided for in the Management Accounts, other than assets and properties disposed of in the Ordinary Course of Business since January 31, 2009) and (ii) valid leasehold interests in all of its assets and properties which it leases, in each case (with respect to both clause (i) and (ii) above), free and clear of any Liens, other than Permitted Liens.

(b) Other than as set forth on *Schedule 4.11(b)* (the ***"Owned Real Property"***) and other than Investment Interests, the Acquired Companies do not own any real property which is used by such Acquired Company in connection with the conduct of its trade and business.

(c) Other than Investment Interests, *Schedule 4.11(c)* contains a complete and accurate list of all material real estate leased, subleased or occupied by any of the Acquired Companies pursuant to a Lease (the ***"Company Leased Premises"***). Together, the Owned Real Property and the Company Leased Premises shall be defined as the ***"Company Premises"***.

(d) The Acquired Companies enjoy peaceful and undisturbed possession of all Company Premises in all material respects and those Company Premises are free from mortgages, debentures, charges, rent charges, leases or rights or occupation by third parties, liens or other encumbrances and free from any other matters of an onerous nature which would materially affect their value. Each Acquired Company has complied and is complying in all material respects with all applicable Laws with respect to the Company Premises.

(e) No Acquired Company has assigned any leasehold property of which it was the original tenant and in respect of which it entered into a covenant with the landlord to observe and perform the tenant's covenants under that Lease without receiving a full and effective indemnity in respect of its liability under that Lease.

(f) All of the tangible personal assets and properties owned or leased by the Acquired Companies and which are material to their operation are adequately maintained and are in good operating condition and repair and free from any material defects, reasonable wear and tear excepted.

SECTION 4.12. *Contracts.*

(a) *Schedule 4.12(a)* lists all of the Material Contracts binding on any of the Acquired Companies or the assets or property of any of the Acquired Companies ***("Company Material Contracts")***.

(b) Each of the Acquired Companies (and, to the Sellers' actual knowledge, each of the other party or parties thereto) has performed all material obligations required to be performed by it under each Company

Material Contract. No event has occurred or circumstance exists with respect to any of the Acquired Companies or, to the Sellers' actual knowledge, with respect to any other Person that (with or without lapse of time or the giving of notice or both) does or may contravene, conflict with or result in a violation or breach of or give any of the Acquired Companies or any other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity of, or to cancel, terminate or modify, any Company Material Contract. No party to any Company Material Contract has repudiated any material provision thereof or terminated any Company Material Contract. All Company Material Contracts are valid and binding on the Acquired Companies and, to the Sellers' actual knowledge, the other parties thereto, and are in full force and effect, except in each case as would not have a Seller Material Adverse Effect. The Sellers have provided to Buyer true, accurate and complete copies of all Company Material Contracts.

(c) Other than as set forth in the Seller Disclosure Statement, (i) there are no "change of control" or similar provisions or any obligations arising under any Company Material Contract which are created, accelerated or triggered by the execution, delivery or performance of any Transaction Document or the consummation of the Transaction and (ii) none of the execution, delivery or performance of any Transaction Document or consummation of the Transaction will, under the terms, conditions or provisions of any Company Material Contract (A) require any Consent of, with or to any Person, (B) result in any increase or decrease in any payment or change in any material term or condition, (C) give rise to any right of amendment, termination, cancellation or acceleration of any right or obligation or to a loss of benefit or (D) grant any repayment or repurchase rights to any Person.

(d) Except insofar as it relates to the Investment Business, no Acquired Company has any earn-out, deferred or contingent payment or similar ongoing obligation payable to any third Person as a result of any contract entered into in connection with the purchase of any business, corporation, partnership, joint venture, association or other business organization or any division, material assets, operating unit or product line thereof.

SECTION 4.13. *Litigation.* No judgment, ruling, order, writ, decree, stipulation, injunction or determination by or with any arbitrator, court or other Governmental Entity to which any of the Sellers or Acquired Companies is party or by which any of the Sellers, the Acquired Companies or any assets of any thereof is bound, and which relates to or affects the Acquired Companies, the assets, properties, Liabilities or officers, directors or employees of the Acquired Companies (in connection with such officer's, director's or employee's capacity as such with an Acquired Company), the Business, any Transaction Document or the Transaction, is in effect and none of the Sellers or Acquired Companies is party to or engaged in or, to the Knowledge of the Sellers, threatened with any Action which relates to or affects any of the Acquired Companies, the assets, properties, Liabilities or employees of the Acquired Companies, the Business, any Transaction Document or the Transaction that, in each case has had a Seller Material Adverse Effect.

SECTION 4.14. *Environmental Matters.* The Acquired Companies do not have any material Liability under any applicable Environmental Law or under any Contract with respect to or as a result of the presence, discharge, generation, treatment, storage, handling, removal, disposal, transportation or Release of any Hazardous Material.

SECTION 4.15. *Compliance with Applicable Law.* Each of the Sellers and Acquired Companies is in compliance and has complied with all Laws applicable to the Acquired Companies and the Business, no written claims or written notifications from any Governmental Entities or other Persons have been asserted or received by the Sellers or Acquired Companies within the past three years related to or affecting the Acquired Companies or the Business and, to the Knowledge of the Sellers, no written claims or written notifications are threatened, alleging that the Sellers or Acquired Companies are in violation of any Laws or Permits applicable to the Acquired Companies or the Business, and to the Sellers' Knowledge, no investigation, inquiry, or review by any Governmental Entity with respect to the Acquired Companies or the Business is pending or threatened, nor has any Governmental Entity notified the Sellers or Acquired Companies an intention to conduct any such investigation, inquiry or review, except any non-compliance, written claim, written notification, investigation, inquiry or review that would not have a Seller Material Adverse Effect.

SECTION 4.16. *Permits and Licenses.* Each of the Acquired Companies has all the Permits and Licenses (the ***"Company Permits"***) that are necessary for the Acquired Companies to operate the Business and to own and use their assets in compliance with all Laws applicable to such operation, ownership and use, except where such non-compliance would not have a Seller Material Adverse Effect. All the Company Permits are validly held by the Acquired Companies and are in full force and effect. The Acquired Companies have complied in all material respects with all of the terms and requirements of the Company Permits.

SECTION 4.17. *Employee Matters.*

(a) None of the Acquired Companies has any obligations or Liability arising under or is bound by any Contract regarding collective bargaining or other Contract with or to any labor union or association representing any employee or worker of the Acquired Companies, nor does any labor union or collective bargaining agent represent any employee or worker of the Acquired Companies. To the Knowledge of the Sellers, no Contract regarding collective bargaining has been requested by, or is under discussion between management of the Acquired Companies (or any management group or association of which the Acquired Companies is a member or otherwise a participant) and any group of employees or workers of the Acquired Companies or any labour union or collective bargaining agent representing or purporting to represent any such employees or workers nor are there any representation proceedings or petitions seeking a representation proceeding presently pending against the Acquired Companies with any labor relations tribunal, nor are there any other current activities to organize any employees or workers of the Acquired Companies into a collective bargaining unit. There are no unfair labor practice charges or complaints pending or, to the Knowledge of the Sellers, threatened against the Acquired Companies. During the past three years there has not been any labor strike, slow-down, work stoppage or arbitration involving the Acquired Companies, and no such labor strike, slow-down, work stoppage or arbitration is now pending or, to the Knowledge of the Sellers, threatened against the Acquired Companies.

(b) *Schedule 4.17(b)* sets forth a complete and accurate list of each material Plan to which any of the Acquired Companies contributes or is required to contribute or has any Liability, or which any of the Acquired Companies sponsors, maintains or administers applicable to current, former or prospective employees, workers, directors or consultants, or categories of current, former or prospective employees, workers, directors or consultants of the Acquired Companies ***("Company Plans")***, in each case, other than in respect of cash bonus plans and share incentive plans, only to the extent any of the Acquired Companies (i) will continue or in any way have an obligation to continue the Company Plan after the Closing or (ii) have any Liability under any Company Plan after the Closing.

(c) To the Knowledge of the Sellers, each Company Plan (and each related trust, insurance contract or fund) is, and has been administered and operated, in compliance in all material respects with its terms and with all applicable Laws.

(d) The Acquired Companies do not have any obligation to provide post-retirement health or similar benefits to any employees, workers, former employees or workers of the Acquired Companies.

(e) There are no pending or, to the Knowledge of the Sellers, anticipated or threatened claims in respect of any of the Company Plans, by or on behalf of any current, former or prospective employee, worker, director, consultant or beneficiary covered under any such Company Plan, or otherwise involving any such Company Plan (other than ordinary course claims for benefits). There are no pending or, to the Sellers' Knowledge, threatened audits or investigations by any Governmental Entity involving any Company Plan. There are no other pending, or, to the Knowledge of the Sellers, anticipated or threatened claims against an Acquired Company by any current, former or prospective employee, worker, director or consultant of such Acquired Company or any current, former or prospective beneficiary covered under any such Company Plan or any circumstances which are reasonably likely to give rise to such a claim.

(f) As of the date hereof, to the Knowledge of the Sellers no employee or group of employees of the Acquired Companies has given notice to terminate their employment with the Acquired Companies or, to the Knowledge of the Sellers, intend to do so.

(g) No Acquired Company engages any consultants or contractors who are paid more than €500,000 annually.

(h) No Acquired Company has made any offers of employment or engagement under a contract for services that remain outstanding and no individuals have accepted such an offer of employment or engagement but are yet to commence work, in each case, with salaries (including bonuses) reasonably expected to be in excess of €250,000 per year.

(i) No employee or former employee of any Acquired Company has transferred to that Acquired Company as a result of the Acquired Rights Directive (Council Directive 77/187/EEC, amended by Council Directive 98/50/EEC and consolidated by Council Directive 2001/23/EEC) and/or the Transfer of Undertakings (Protection of Employment) Regulations 2006 in the last two years.

(j) *Schedule 4.17(j)* contains a list of the individuals who, as consideration under their contractual arrangements with any Acquired Company are paid, or could reasonably be expected to be entitled to be paid, more than €500,000 by any Acquired Company on an annualized basis (including but not limited to any payments made by way of salary, fees, commission, bonus, profit-shares or deferred incentive payment).

(k) Neither the signing of this Agreement nor the completion of the Transaction shall entitle any employee of, or any individual who is engaged under a contract for services by, any Acquired Company to receive any form of bonus, exit or deal remuneration or lead to any other form of payment becoming due to such employee or individual, or accelerating the due date for such payment.

(l) Neither the signing of this Agreement nor the completion of the Transaction shall trigger any "change of control" provision contained in any Person's contract of employment or engagement under a contract for services with any Acquired Company which would entitle such Person to treat his or her employment or engagement as at end and which would be reasonably likely to result in any Acquired Company having to make payment of, or being subject to a claim in excess of, €250,000.

SECTION 4.18. *Insurance.*

(a) The material insurance policies and surety bonds covering the Acquired Companies in connection with the Business other than the Investment Business ***("Company Insurance Policies")***: (i) are in full force and effect and will not lapse or be subject to suspension, modification, revocation, cancellation, termination or nonrenewal by reason of the execution, delivery or performance of any Transaction Document or consummation of the Transaction; (ii) to the Knowledge of the Sellers insure the Acquired Companies in reasonably sufficient amounts against all risks usually insured against by Persons operating similar businesses or properties in the localities where such businesses or properties are located, and (iii) are sufficient for compliance with all requirements of Law and Contracts of the Acquired Companies. The Acquired Companies are current in all premiums or other payments due under each Company Insurance Policy and have otherwise performed in all material respects all of their respective obligations thereunder. The Acquired Companies have given timely notice to the insurer under each Company Insurance Policy of all pending material claims known to the Acquired Companies that may be insured thereby.

(b) The Acquired Companies have not received during the past three years from any insurance carrier with which it has carried any insurance (i) any refusal of coverage or notice of material limitation of coverage or any notice that a defense will be afforded with reservation of rights in respect of claims that are or would reasonably be expected to be material to the Acquired Companies, (ii) any notice of cancellation or (iii) any notice that any Company Insurance Policy is no longer in full force or effect or will not be renewed or that the issuer of any Company Insurance Policy is not willing or able to perform its obligations thereunder.

SECTION 4.19. *Transactions with Affiliates.*

(a) No Seller, Affiliate of a Seller, director, officer or employee of the Acquired Companies or Affiliate of the Acquired Companies (other than another of the Acquired Companies) or Affiliate of any director, officer or employee of the Acquired Companies owns or has any interest in any Company Material Contract, material tangible asset or material Business Intellectual Property that is used by the Acquired Companies in the conduct

of the Business as it has been conducted prior to the Closing Date (including historical performance records and/or results in the Acquired Companies' data bases); and

(b) No Seller, Affiliate of a Seller, director, officer or employee of the Acquired Companies or Affiliate of the Acquired Companies (other than another of the Acquired Companies) or Affiliate of any director, officer or employee of the Acquired Companies owes any Indebtedness to or is owed any Indebtedness from any of the Acquired Companies, other than repayment of travel, entertainment and other advances made in the Ordinary Course of Business.

SECTION 4.20. *Guarantees.* No Acquired Company has any outstanding guarantees, security interests or indemnities in favor or for the benefit of any Shareholder or Affiliate of a Shareholder, or any director, officer or employee of any Acquired Company or Affiliate of the Acquired Companies (other than another of the Acquired Companies) or Affiliate of any director, officer or employee of the Acquired Companies.

SECTION 4.21. *Business Intellectual Property.* Except as would not have a Seller Material Adverse Effect:

(a) Each of the Acquired Companies owns or has a valid license or right to use all Business Intellectual Property which it uses in the Ordinary Course of Business.

(b) The Business Intellectual Property is valid, enforceable and subsisting and nothing has been done or omitted to be done which may cause any of it to cease to be so.

(c) No activities or services or processes of any of the Acquired Companies infringe or have infringed any intellectual property of any third party.

(d) The Acquired Companies are licensed or otherwise has the legal right to use all computer programs owned by a third party which are used by any Acquired Company in the Ordinary Course of Business ***("Developed Software")***.

(e) The Acquired Companies own or have the legal right to use all computer programs designed, written, developed or configured by, on behalf of, or for the use of, the Acquired Companies which are used by it or another of the Acquired Companies in the Ordinary Course of Business, except for any Developed Software.

(f) The Acquired Companies own or otherwise have the legal right to use all information technology, telecommunications, network and peripheral equipment used by the Acquired Companies.

SECTION 4.22. *Certain Business Practices.* No Acquired Company or any of their respective directors, officers, agents, representatives or employees (in their capacity as directors, officers, agents, representatives or employees) has: (a) used any funds for unlawful contributions, unlawful gifts, unlawful entertainment or other unlawful expenses relating to political activity in respect of the Business; (b) directly or indirectly, paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any finder, agent, or other party acting on behalf of or under the auspices of a governmental official or Governmental Entity, which is in any manner illegal under any applicable Law; or (c) made any payment to any customer or supplier of an Acquired Company or any officer, director, partner, employee or agent of any such customer or officer, director, partner, employee or agent for the unlawful reciprocal practice, or made any other unlawful payment or given any other unlawful consideration to any such customer or supplier or any such officer, director, partner, employee or agent, in respect of the Business.

SECTION 4.23. *Pension Scheme.*

(a) Except for the schemes known as the Pearl Group Limited Staff Pension Scheme (the ***"Staff Pension Scheme"***) and the Resolution Group Pension Scheme (the ***"Resolution Scheme"***) (together, the Staff Pension Scheme and the Resolution Scheme, the "Pension Scheme") and all and any money purchase pension arrangements operated by the Acquired Companies, including but not limited to the defined contribution sections of the Pension Scheme (the ***"DC Schemes"***), none of the Acquired Companies participates in or contributes to any scheme, agreement or arrangement (whether legally enforceable or not) for the provision of any pension, retirement, death, incapacity, sickness, disability, accident or other like benefits for any employee,

director, former employee or former director of any of the Acquired Companies (each a ***"Relevant Employee"***) or for the widow, widower, child or dependant of any Relevant Employee.

(b) None of the Acquired Companies has given any undertaking or assurance (whether legally enforceable or not) as to the continuance, introduction, improvement or increase of any benefit of a kind described in sub-paragraph (a) or as to the rights of any Person to receive such benefits, including but not limited to the payment of any unfunded or ex gratia pension by any of the Acquired Companies to or in respect of any Person.

(c) None of the Pension Scheme, nor any of the Acquired Companies, is engaged or involved in any proceedings which relate to or are in connection with the Pension Scheme or the benefits thereunder and no such proceedings are to the Knowledge of the Sellers pending or threatened.

(d) All amounts due and payable to the Pension Scheme by the Acquired Companies and other employers participating in the Pension Scheme have been paid.

(e) No power under the Pension Scheme has been exercised in relation to any member of the Pension Scheme:

(i) to provide terms of membership of the Pension Scheme (whether as to benefits or contributions) which are different from those generally applicable to members of the Pension Scheme;

(ii) to provide any benefits which would not but for the exercise of that power have been payable under the Pension Scheme; or

(iii) to augment any benefits under the Pension Scheme.

(f) All material details relating to the Pension Scheme are contained in or annexed to *Schedule 4.23(f)* including the following:

(i) true and complete copies of the following documents referable to the Pension Scheme: (A) all deeds, rules and other governing documents of current effect and details of any proposed changes which have yet to be formally completed; (B) all announcements, booklets and the like of current effect which have been issued to any of the Relevant Employees; (C) the latest completed actuarial valuation report and any document (including a draft) containing the results or preliminary results of any subsequent actuarial valuation; (D) the latest completed audited accounts and any subsequent accounts or draft accounts; (E) any documents as reasonably requested in respect of any member's entitlement under the Pension Scheme which would have a material impact on the funding of the Pension Scheme; and (F) the latest schedule of contributions for the Pension Scheme;

(ii) details of all amendments (if any) to the Pension Scheme which have been announced or are proposed but which have not yet been formally made;

(iii) details of all discretionary increases (if any) to pensions in payment or in deferment under the Pension Scheme which have been granted in the five years before the date of this Agreement or which are under consideration; and

(iv) details of all discretionary practices (if any) which may have led any person to expect additional benefits in a given set of circumstances (by way of example, but without limitation, on retirement at the Acquired Companies request or on redundancy).

(g) The Pension Scheme has at all times been administered in all material respects in accordance with the trusts powers and provisions of its governing documentation and has been administered in accordance with and complies with all applicable Laws (including the general requirements of trust law).

(h) All lump sum death benefits which may be payable under the Pension Scheme (other than a refund of members' contributions with interest where appropriate) are fully insured under a policy, full details of which are set forth on *Schedule 4.23(h)*, and there are no grounds on which that company might avoid liability under

that policy. No restrictions have been placed on insured benefits nor have any additional premiums been charged.

(i) The Pension Scheme is not in the process of being discontinued, nor has any proposal or intention to discontinue the Pension Scheme been communicated to any employee or beneficiary.

(j) The DC Schemes only provide money purchase benefits (as defined in section 181 of the Pension Schemes Act 1993) and have no obligation to pay, to or in respect of any member of the DC Schemes, any benefits of which the value is greater than the value of the assets held by the scheme and attributable to that member.

(k) The Pension Scheme has registered scheme status for the purposes of the Finance Act 2004, and the Sellers are not aware of any matter that is likely to cause HM Revenue & Customs to withdraw such registration.

(l) As at December 31, 2008, provision has been reserved for all the liabilities (current and contingent) of the Pension Scheme, as calculated as at the date of the accounts on a basis consistent with the approach used for annual accounting purposes under Financial Reporting Standard 17 (FRS17) or International Accounting Standard 19 (IAS19), as applicable.

(m) To the Knowledge of the Sellers, no Acquired Company has knowingly acted or failed to act with the intention that the main purpose or one of the main purposes of the act or failure to act was:

(i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer in relation to the scheme under section 75 or 75A of the Pensions Act 1995; or

(ii) to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due,

in relation to the Staff Pension Scheme, since April 27, 2004, or, in relation to the Resolution Scheme, from May 1, 2008 and which the Sellers could reasonably expect to result in the issue of a contribution notice (within the meaning of sections 38 to 42 of the Pensions Act 2004) in respect of the Acquired Companies or any Person connected to or associated with the Acquired Companies.

(n) To the Knowledge of the Sellers, in relation to the Pension Scheme no circumstances exist in the 12 months prior to the date of this Agreement (save that in relation to the Resolution Scheme this clause will not apply in relation to any such period prior to the May 1, 2008) which would or might result in the issue of a financial support direction under sections 43 to 51 Pensions Act 2004 in respect of the Acquired Companies and anyone connected or associated with the Acquired Companies.

ARTICLE V

WARRANTIES OF BUYER

Buyer warrants to the Sellers, as of the date hereof and as of the Closing Date, that, other than as set forth in the Buyer Disclosure Statement (other than with respect to Sections 5.1, 5.2, 5.3 or 5.4):

SECTION 5.1. *Organization.*

(a) Buyer is an exempted company duly incorporated and validly existing under the laws of the Cayman Islands. Buyer has all requisite corporate or other power and authority to own, lease and operate its assets and properties and to carry on its business as presently conducted and as it will be conducted through the Closing Date. Buyer is duly qualified to transact business in each jurisdiction in which the ownership, leasing or holding of its properties or the conduct or nature of its business makes such qualification necessary, except where the failure to be so qualified would not have a Buyer Material Adverse Effect. The Organizational Documents, minute books and register of members previously delivered or made available to the Sellers are true and complete copies as amended to date.

(b) Buyer does not (i) have any Subsidiaries, (ii) own beneficially or otherwise, directly or indirectly, any Equity Securities or ownership interest in, or have any obligation to form or participate in, any other Person or (iii) have any Contract to purchase any such interest, and Buyer has not agreed and is not obligated to make nor is bound by any Contract or undertaking of any nature under which it may become obligated to make any future Investment in any other Person other than as set forth in this Agreement.

SECTION 5.2. *Authority.* Buyer has the corporate power, authority and legal right to execute and deliver each Transaction Document delivered by Buyer and to perform all of its obligations thereunder.

SECTION 5.3. *Binding Obligation.* Each Transaction Document to which Buyer is a party has been duly authorized, executed and delivered by Buyer and constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights in general and by general principles of equity.

SECTION 5.4. *No Breach.* Other than as set forth in this Agreement, none of the execution, delivery or performance by Buyer of any Transaction Document delivered or to be delivered by Buyer or the consummation of the Transaction does or will, with or without the giving of notice or the lapse of time or both (a) require any Permit applicable to Buyer, or (b) conflict with, or result in a breach or violation of or a default under, or give rise to a right of amendment, termination, cancellation or acceleration of any obligation or to a loss of a benefit under (i) the Organizational Documents of Buyer, (ii) any Material Contract of Buyer or (iii) assuming compliance with the matters referred to in *Schedule 5.4*, any Law, License, Permit or other requirement to which Buyer or Buyer's properties or assets are subject, except, in each case, which would not have a Buyer Material Adverse Effect.

SECTION 5.5. *No Brokers.* There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Buyer who is or might be entitled to any fee, commission or payment from Buyer in connection with the negotiation, preparation, execution or delivery of any Transaction Document or the consummation of the Transaction.

SECTION 5.6. *Governmental Approvals.* Other than as set forth in this Agreement, including Section 2.2, or as would not have a Buyer Material Adverse Effect, no Consent or Order of, with or to any Governmental Entity is required to be obtained or made by or with respect to Buyer in connection with the execution, delivery and performance by Buyer of any Transaction Document or the consummation by Buyer of the Transaction.

SECTION 5.7. *Capitalization.*

(a) *Schedule 5.7(a)* sets forth (i) the authorized Equity Securities of Buyer, (ii) the number of Equity Securities of Buyer that are issued and outstanding, and (iii) the number of Equity Securities of Buyer that are reserved for issuance as at the date hereof.

(b) Other than as set forth in *Schedule 5.7(a),* no shares of capital stock or other securities of Buyer are issued, reserved for issuance or outstanding. All of the outstanding Buyer Ordinary Shares are duly authorized, validly issued, fully paid and non-assessable and were not issued in violation of, and are not subject to, any preemptive rights. There are no bonds, debentures, notes or other Indebtedness of any type whatsoever of Buyer having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which any shareholders of Buyer may vote. Except for the Buyer Warrants, pursuant to the Debt Restructuring and pursuant to Opal Re Purchase Agreement and the rights granted to the Sellers under this Agreement, there are no outstanding options, warrants, calls, demands, stock appreciation rights, Contracts or other rights of any nature to purchase, obtain or acquire or otherwise relating to, or any outstanding securities or obligations convertible into or exchangeable for, or any voting agreements with respect to, any shares of capital stock of Buyer or any other securities of Buyer and neither Buyer nor any of its Affiliates is obligated, pursuant to any securities, options, warrants, calls, demands, Contracts or other rights of any nature or otherwise, now or in the future, contingently or otherwise, to issue, deliver, sell, purchase or redeem any capital stock of Buyer, any other securities of Buyer or any interest in or assets of Buyer to or from any

Person or to issue, deliver, sell, purchase or redeem any stock appreciation rights or other Contracts relating to any capital stock or other securities of Buyer to or from any Person.

(c) The Buyer Ordinary Shares are quoted on the Euronext Amsterdam. There is no Action or proceeding pending or, to the Knowledge of Buyer, threatened against Buyer by the Euronext Amsterdam with respect to any intention by such entity to prohibit or terminate the quotation of such securities thereon.

(d) As of the Closing, the Issued Shares will be duly authorized and when issued and delivered in accordance with the terms of this Agreement will be validly issued, fully paid, non-assessable, free and clear of all Liens of any kind other than Permitted Transfer Restrictions, and not issued in violation of, and not subject to, any preemptive right. Upon delivery of the Issued Shares pursuant to this Agreement, each Seller will have good title to its portion of the Issued Shares.

(e) Except as disclosed in Buyer AFM Reports filed prior to the date hereof or as contemplated by the Debt Restructuring, the Opal Re Purchase Agreement or the Transaction Documents, there are no registration rights, and there is no voting trust, proxy, rights plan, anti-takeover plan or other Contracts or understandings to which Buyer is a party or by which Buyer is bound with respect to any Equity Security of Buyer.

(f) Except as disclosed in Buyer AFM Reports filed prior to the date of this Agreement, as a result of the consummation of the Transaction, other than pursuant to the Debt Restructuring and the Opal Re Purchase Agreement, no shares of capital stock, warrants, options or other securities of Buyer are issuable and no rights in connection with any shares, warrants, rights, options or other securities of Buyer accelerate or otherwise become triggered (whether as to vesting, exercisability, convertibility or otherwise).

SECTION 5.8. *Financial Information.*

(a) Set forth in *Schedule 5.8(a)* are (i) the audited balance sheet of Buyer as of December 31, 2008 and the related audited statements of operations, shareholders' equity and cash flows for the period ended December 31, 2008 (the ***"Buyer Audited Financial Statements"***) and (ii) the Interim Management Statement for the period 1 January 2009 to 24 April 2009. The Buyer Audited Financial Statements have been prepared from and in accordance with the books, accounts and financial records of Buyer (which accurately and consistently reflect all material transactions to which Buyer was a party during the periods set forth) and present fairly, in all material respects, in conformity with IFRS applied on a consistent basis, the financial position of Buyer as of the dates set forth therein and Buyer's results of operations and cash flows for the periods set forth therein. Buyer has established adequate internal controls for companies whose securities are listed on the Euronext Amsterdam for purposes of preparing its periodic financial statements and the Buyer Audited Financial Statements.

(b) Buyer has no Liabilities of any kind or character, except for Liabilities (i) in the amounts set forth or reserved on the December 31, 2008 balance sheet of Buyer included in the Buyer Audited Financial Statements (the ***"December 2008 Balance Sheet"***) or the notes thereto, including contingent liabilities expressly set forth therein, (ii) arising in the Ordinary Course of Business since December 31, 2008 and (iii) Liabilities under the Opal Re Purchase Agreement, the Debt Restructuring, this Agreement or the other Transaction Documents or expressly permitted to be incurred under this Agreement or the other Transaction Documents or, disclosed in this Agreement or the other Transaction Documents or the Schedules and Exhibits to this Agreement or the Buyer Disclosure Statement or the other Transaction Documents.

(c) Buyer does not now conduct and has never conducted any business or operations and has not engaged in any other material transaction other than valuation and pursuit of transactions such as the Transaction, the Transaction and as set forth in Buyer AFM Reports filed prior to the date of this Agreement.

SECTION 5.9. *Absence of Material Adverse Effect and Certain Events.*

(a) No conditions, circumstances or facts exist, and since December 31, 2008, there have not been any events, occurrences, changes, developments or circumstances, which have had a Buyer Material Adverse Effect.

(b) From and after December 31, 2008, Buyer has conducted its business only in the ordinary course consistent with past practices.

(c) Buyer has not since December 31, 2008 taken any action of the type referred to in Section 6.1(d).

SECTION 5.10. *Taxes.*

(a) Buyer has filed all material Tax Returns required to be filed by it ***("Buyer Tax Returns")***. All such Buyer Tax Returns were at the time of filing believed by Buyer to be correct and complete in all material respects, save to the extent that certain information was disclosed to the applicable taxing authority as outstanding. All Buyer Tax Returns have been timely filed with the appropriate tax authorities in all jurisdictions in which such Buyer Tax Returns are or were required to be filed.

(b) All Taxes due and owing by Buyer (whether or not shown on any Buyer Tax Return) have been paid or adequate reserves therefor have been provided for in the Buyer Financial Statements in accordance with applicable generally accepted accounting principles, that Buyer has adopted, in the jurisdiction in which the Buyer Financial Statements are prepared and filed.

(c) Buyer has timely withheld any material amounts from its past, present and prospective employees, directors, customers, shareholders, creditors, independent contractors and others from whom it is or was required to withhold Taxes in compliance with all applicable Laws and has timely paid all such withheld amounts to the appropriate taxing authorities.

(d) To the Knowledge of Buyer, Buyer does not expect any Governmental Entity to assess any material additional Taxes for it in excess of (i) Taxes for which provision is made in the Buyer Financial Statements and (ii) in respect of the period from December 31, 2008 to Closing, Taxes arising in the Ordinary Course of Business other than Taxes arising from or in connection with the Company Reorganization or the Debt Restructuring. There is no audit, examination, claim, assessment, levy, deficiency, administrative or judicial proceeding, lawsuit or refund Action pending or threatened (either in writing or verbally, formally or informally) with respect to material Taxes for which Buyer is, or is, to the Knowledge of Buyer, expected by Buyer to be, liable, and no taxing authority has given notice (either in writing or verbally, formally or informally) of the commencement of any audit, examination or deficiency Action with respect to any such Taxes. References to Taxes in this Section 5.10(d) include, for the avoidance of doubt, Taxes arising in connection with any transfer pricing adjustment and disallowance of any loan relationship debit.

(e) Buyer has not received notice of any claim by any taxing authority in a jurisdiction where it does not file Buyer Tax Returns that it is or may be subject to material taxation by that jurisdiction.

(f) No Liens for Taxes exist with respect to any of the assets or properties of Buyer, except for Permitted Liens.

(g) To the Knowledge of Buyer, it is not liable, nor does it have any potential Liability, for the Taxes (or amounts in respect of Taxes including by way of damages) of another Person (i) under any applicable Tax Law, (ii) as a transferee or successor, or (iii) by Contract, indemnity, representation or otherwise. To the Knowledge of Buyer it has no liability to make a payment for or refund of a payment for group relief (within the meaning of Chapter IV of Part X ICTA) or for or in connection with the entering into of a joint election pursuant to the provisions of sections 171A or 179A of the Taxation of Chargeable Gains Act 1992 or paragraph 66 of schedule 29 Finance Act 2002 or in connection with claims pursuant to paragraphs 56 or 57 of schedule 29 Finance Act 2002.

(h) Buyer has collected all material sales, use and value added Taxes required to be collected, and has remitted, or will remit within the time and in the manner prescribed by law, such amounts to the appropriate taxing authority and has furnished properly completed exemption certificates for all exempt transactions where applicable.

(i) Neither the signing of this Agreement nor completion of the acquisition of the Purchased Shares by Buyer will give rise to or result in a Tax Liability for Buyer (other than any stamp duty reserve tax or stamp duty) by reason of any events or transactions that have occurred prior to the date of such signing or

completion, other than any events or transactions involved in, or in connection with, the Company Reorganization or the Debt Restructuring.

(j) Buyer is, always has been and will be at Closing resident for the purposes of all Taxes in its place of incorporation only. Buyer has never had nor will it have at Closing any permanent establishment or other taxable presence in any jurisdiction other than its place of incorporation.

SECTION 5.11. *Assets and Properties.*

(a) Buyer has (i) good title to all of its material assets and properties (whether real, personal or mixed, or tangible or intangible) (including all assets and properties recorded on the December 2008 Balance Sheet, other than assets and properties disposed of in the Ordinary Course of Business since December 31, 2008) and (ii) valid leasehold interests in all of its assets and properties which it leases, in each case (with respect to both clause (i) and (ii) above), free and clear of any Liens, other than Permitted Liens.

(b) Except as disclosed in the Buyer AFM Reports, Buyer does not own or lease nor has it ever owned or leased any real property.

(c) All of the tangible assets and properties owned or leased by Buyer are adequately maintained and are in good operating condition and repair and free from any material defects, reasonable wear and tear excepted.

(d) As of the date of this Agreement, Buyer has no less than €590 million. All of such funds are held in a trust account (the ***"Trust Account"***) established by Continental Stock Transfer & Trust Company and invested in government securities (including any instrument issued or backed by an institution controlled or supervised by a Governmental Entity) and the Offering Circular accurately describes how such funds are to be invested, held and released from the Trust Account.

SECTION 5.12. *Contracts.*

(a) *Schedule 5.12(a)* lists all of the Material Contracts binding on Buyer or the assets or property of Buyer ***("Buyer Material Contracts")***.

(b) Buyer (and, to Buyer's actual knowledge each other party or parties thereto), has performed all obligations required to be performed by it under each Buyer Material Contract. No event has occurred or circumstance exists with respect to Buyer or, to the Knowledge of Buyer, with respect to any other Person that (with or without lapse of time or the giving of notice or both) does or may contravene, conflict with or result in a violation or breach of or give any of Buyer or any other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity of, or to cancel, terminate or modify, any Buyer Material Contract. No party to any Buyer Material Contract has repudiated any material provision thereof or terminated any Buyer Material Contract. All Buyer Material Contracts are valid and binding on Buyer and, to Buyer's actual knowledge, the other parties thereto, and are in full force and effect, except in each case as would not have a Buyer Material Adverse Effect.

(c) (i) There are no "change of control" or similar provisions or any obligations arising under any Buyer Material Contract which are created, accelerated or triggered by the execution, delivery or performance of any Transaction Document or the consummation of the Transaction and (ii) none of the execution, delivery or performance of any Transaction Document or consummation of the Transaction will, under the terms, conditions or provisions of any Buyer Material Contract (A) require any Consent of, with or to any Person, (B) result in any increase or decrease in any payment or change in any material term or condition, (C) give rise to any right of amendment, termination, cancellation or acceleration of any right or obligation or to a loss of benefit or (D) grant any repayment or repurchase rights to any Person.

(d) Except as set forth in the Buyer AFM Reports filed prior to the date of this Agreement, pursuant to the Debt Restructuring or pursuant to the Opal Re Purchase Agreement, there are no Contracts or other understandings, commitments or obligations (including outstanding offers or proposals) of any kind, whether written or oral, to which Buyer is a party or by or to which any of the properties or assets of Buyer may be bound, subject or affected, which either (i) creates or imposes a Liability greater than €25,000 or (ii) may not be cancelled by Buyer on 30 days' or less prior notice without payment of a penalty or premium of any kind.

SECTION 5.13. *Litigation.* (a) No judgment, ruling, order, writ, decree, stipulation, injunction or determination by or with any arbitrator, court or other Governmental Entity to which Buyer is party or by which Buyer or any assets of Buyer is bound, and which relates to or affects Buyer, the assets, properties, Liabilities or employees of Buyer, the business of Buyer, any Transaction Document or the Transaction is in effect and (b) Buyer is not party to or engaged in or, to the Knowledge of Buyer, threatened with any Action which relates to or affects Buyer, the assets, properties, Liabilities or employees of Buyer, the business of Buyer, any Transaction Document or the Transaction.

SECTION 5.14. *Environmental Matters.* Buyer does not have any material Liability under any applicable Environmental Law or under any Contract with respect to or as a result of the presence, discharge, generation, treatment, storage, handling, removal, disposal, transportation or Release of any Hazardous Material.

SECTION 5.15. *Compliance with Applicable Law.* (a) Buyer is in compliance and has complied with all Laws applicable to Buyer and its business, (b) no claims or complaints from any Governmental Entities or other Persons have been asserted or received by Buyer since formation related to or affecting Buyer and its business and, to the Knowledge of Buyer, no claims or complaints are threatened, alleging that Buyer is in violation of any Laws or Permits applicable to Buyer and its business and (c) to the Knowledge of Buyer, no investigation, inquiry, or review by any Governmental Entity with respect to Buyer and its business is pending or threatened, nor has any Governmental Entity indicated to Buyer an intention to conduct any such investigation, inquiry or review, except any non-compliance, claim, complaint, investigation, inquiry or review that would not have a Buyer Material Adverse Effect.

SECTION 5.16. *Permits and Licenses.* Buyer has all the material Permits and Licenses (the ***"Buyer Permits"***) that are necessary for Buyer to operate its business and to own and use its assets in compliance with all Laws applicable to such operation, ownership and use, except where such non-compliance would not have a Buyer Material Adverse Effect. All the Buyer Permits are validly held by Buyer and are in full force and effect. Buyer has complied in all material respects with all of the terms and requirements of the Buyer Permits.

SECTION 5.17. *Employee Matters.* As of the date hereof, there are no Persons employed or engaged under a contract for services by Buyer and there are no Persons who have previously been so employed or engaged. Buyer has made no offers of employment or engagement pursuant to a contract for services that remains outstanding and no individual has accepted such an offer of employment or engagement but are yet to commence work.

SECTION 5.18. *Insurance.*

(a) The material insurance policies and surety bonds which Buyer maintains with respect to its assets, Liabilities, employees, officers or directors or business ***("Buyer Insurance Policies")***: (i) are in full force and effect and will not lapse or be subject to suspension, modification, revocation, cancellation, termination or nonrenewal by reason of the execution, delivery or performance of any Transaction Document or consummation of the Transaction; (ii) to the Knowledge of Buyer insure Buyer in reasonably sufficient amounts against all risks usually insured against by Persons operating similar businesses or properties in the localities where such businesses or properties are located; and (iii) are sufficient for compliance with all requirements of Law and Contracts of Buyer. Buyer is current in all premiums or other payments due under each Buyer Insurance Policy and has otherwise performed in all material respects all of its obligations thereunder. Buyer has given timely notice to the insurer under each Buyer Insurance Policy of all pending material claims known to Buyer that may be insured thereby.

(b) Buyer has not received since formation of Buyer from any insurance carrier with which it has carried any insurance policy (i) any refusal of coverage or notice of material limitation of coverage or any notice that a defense will be afforded with reservation of rights in respect of claims that are or would reasonably be expected to be material to Buyer, (ii) any notice of cancellation, or (iii) any notice that any Buyer Insurance Policy is no longer in full force or effect or will not be renewed or that the issuer of any Buyer Insurance Policy is not willing or able to perform its obligations thereunder.

SECTION 5.19. *Buyer AFM Reports.*

(a) Buyer has filed and made available to the Sellers all forms, reports, schedules, statements and other documents, including any exhibits thereto, required to be filed by Buyer with the AFM since Buyer's formation (collectively, the ***"Buyer AFM Reports"***). The Buyer AFM Reports, including all forms, reports and documents filed by Buyer with the AFM after the date hereof and prior to the Closing Date (i) were and, in the case of the Buyer AFM Reports filed after the date hereof, will be, prepared in accordance with the applicable Laws, including, but not limited to, the Dutch Financial Supervision Act (Wet op het financieel toezicht) (the ***"Financial Supervision Act"***) and ancillary regulations and the applicable rules, regulations, announcements and guidelines of NYSE Euronext and the AFM and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), and in the case of such forms, reports and documents filed by Buyer with the AFM after the date of this Agreement (other than information with respect to the Acquired Companies and the Sellers contained therein), will not as of the time they are filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated in such Buyer AFM Reports or necessary in order to make the statements in such Buyer AFM Reports, in light of the circumstances under which they were and will be made, not misleading.

(b) Each of the financial statements (including, in each case, any related notes and schedules) contained in the Buyer AFM Reports, including any Buyer AFM Reports filed after the date of this Agreement (other than information with respect to the Acquired Companies and the Sellers contained therein), complied or will comply, as of its respective date, in all material respects with all applicable accounting requirements under applicable Laws, including, but not limited to, the Financial Supervision Act and ancillary regulations and the applicable rules, regulations, announcements and guidelines of NYSE Euronext and the AFM, was or will be prepared in accordance with IFRS (except as may be indicated in the notes thereto) applied on a consistent basis throughout the periods involved and fairly presented in all material respects, or will fairly present in all material respects, the financial position of Buyer as of the respective dates thereof and the results of its operations and cash flows for the periods indicated, except that any unaudited interim financial statements are subject to normal and recurring year-end adjustments which have not been and are not expected to be material in amount, individually or in the aggregate.

(c) Buyer is in compliance with all applicable corporate governance rules and the listing rules of NYSE Euronext.

SECTION 5.20. *Offering Circular.* The Offering Circular, as of the date thereof and as of the date of any supplement thereto, did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

SECTION 5.21. *Trust Account.*

(a) Buyer is party to an investment management agreement (the ***"IM Agreement"***) with Continental Stock Transfer & Trust Company (the ***"Trustee"***) pursuant to which the Trustee has established the Trust Account outside of the United States for the net proceeds from Buyer's initial public offering (the ***"Trust Account Documents"***) and there are no other agreements or understandings between Buyer and the Trustee in relation to the Trust Account and the funds therein.

(b) Subject to the terms and conditions of the IM Agreement and the Trust Account Documents, the Trustee has full and exclusive power and authority to invest and reinvest the assets of the Trust Account and to release the assets of the Trust Account, net of any payments to any Buyer Shareholders who elect to have their Buyer Ordinary Shares redeemed by Buyer and the payment of all deferred underwriting discounts and commissions, to Buyer (the ***"Available Cash"***).

ARTICLE VI

COVENANTS

SECTION 6.1. *Conduct of Business.* Except: (i) as permitted by this Agreement and the Transaction Documents; (ii) as required by Law; (iii) as contemplated by the Company Reorganization, the Opal Re Purchase Agreement, the Debt Restructuring, the Related Party Arrangements, the Warrant Amendment or the Pension Reorganization; (iv) as set forth on *Schedule 6.1* (except that such permitted actions shall exclude any related party transaction agreement or arrangement as contemplated by Section 4.19 as opposed to amongst the Sellers and their Affiliates (other than Acquired Companies)) or (v) as approved in advance in writing by Buyer, in the case of (a) through (c) below, or by the Sellers in the case of (d) below (in each case, which approval shall not be unreasonably withheld, delayed or conditioned), at all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement or the Closing Date:

(a) The Sellers shall cause each of the Acquired Companies to, and Buyer shall, carry on its business in the Ordinary Course of Business.

(b) The Sellers shall notify Buyer in writing prior to any Acquired Company taking any of the following actions, or if it is not possible for the Sellers to notify Buyer prior to an Acquired Company taking any such actions, the Sellers shall notify Buyer as promptly as practicable following any Acquired Company taking any of the following actions and, in either case (unless Buyer shall have consented in writing to the taking of any such action) if any of the following actions are taken by an Acquired Company, notwithstanding the provisions of Section 6.2(g) hereof, the Buyer's board of directors may withdraw or amend its recommendation that the Buyer Shareholders vote in favor of the adoption of this Agreement and the approval of the Transaction:

(i) propose to adopt any amendments to or amend its Organizational Documents;

(ii) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, other equity-based (whether payable in cash, securities or other property or any combination of the foregoing) commitments, subscriptions, rights to purchase or otherwise) any of its securities;

(iii) acquire or redeem, directly or indirectly, or amend any of its securities;

(iv) split, combine or reclassify any shares of capital stock or other Equity Securities;

(v) propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(vi) (A) incur or assume any long-term or short-term Indebtedness or issue any debt securities in excess of €20,000,000, except for (I) letters of credit issued in the Ordinary Course of Business, (II) short-term debt incurred to fund operations of the business or for cash management purposes, in each case in the Ordinary Course of Business, (III) loans or advances to direct or indirect wholly-owned Subsidiaries and holding companies in the Ordinary Course of Business, (IV) Indebtedness issued or incurred in connection with the Investment Business and (V) with respect only to existing Indebtedness having a maturity date occurring after the date of this Agreement but prior to the Closing Date, to refinance, extend or renew the maturity of any existing Indebtedness in an amount not to exceed such existing Indebtedness, *provided that* such refinancing or extension is at prevailing market interest rates and otherwise on terms not materially less favorable in the aggregate than the existing Indebtedness being so refinanced, renewed or extended other than Indebtedness issued in connection with the Investment Business, (B) other than in the Ordinary Course of Business, assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for any material obligations of any other Person except obligations of any of their respective direct or indirect wholly-owned Subsidiaries, (C) other than in the Ordinary Course of Business, make any material loans, advances or capital contributions to or Investments in any other Person, or (D) mortgage or pledge any of its assets, tangible or intangible, or create or suffer to exist

any Lien thereupon (other than Permitted Liens), except (I) pursuant to, or as permitted under the Indebtedness described in clause (A) above, or (II) as incurred in the Ordinary Course of Business;

(vii) except as may be required by applicable Law or to satisfy contractual obligations existing on the date hereof (A) enter into, adopt, amend (including to provide for the acceleration of vesting), modify in any material respect or terminate any Plan, increase in any material manner the compensation or fringe benefits of any consultant, director, officer or employee, (B) pay any special bonus, remuneration or benefit to any director, officer or employee not required by any Plan as in effect as of the date hereof; *provided, however*, that this paragraph (vii) shall not prevent any of the Acquired Companies (I) from entering into employment agreements, offer letters or retention agreements with employees and consultants in the Ordinary Course of Business, and paying compensation or fringe benefits pursuant to any such agreements, offer letters or retention agreements or (II) from increasing annual compensation of employees and consultants and/or from providing for or amending bonus arrangements for employees and consultants in the ordinary course of compensation reviews (to the extent that such compensation increases and new or amended bonus arrangements are consistent with past practice), or (C) enter into any arrangement of the type described in Section 4.23(a);

(viii) forgive any loans to any of its employees, officers or directors or any of its Affiliates in excess of €50,000;

(ix) make any deposits or contributions of cash or other property to, or take any other action to fund or in any other way secure the payment of compensation or benefits under, any Plans, other than deposits and contributions that are required pursuant to the terms of any such Plan or any Contracts subject to any such Plan in effect as of the date hereof or as required by applicable Law provided, however, that no deposits or contributions shall be made into any Pension Scheme other than as required or permitted in accordance with Section 2.2(n);

(x) acquire, sell, lease, license or dispose of any material property or assets in excess of €10,000,000 individually or €50,000,000 in the aggregate in any single transaction or series of related transactions, except for (A) transactions pursuant to existing Contracts or (B) transactions in the Ordinary Course of Business (including purchases and sales of cash equivalents and other investments in the ordinary course of treasury and cash management operations);

(xi) except as may be required to remain in compliance with applicable Laws or UK GAAP or as required by the relevant Acquired Company's auditors, make any change in any of the accounting principles or practices used by it;

(xii) other than in the Ordinary Course of Business (which includes for purposes hereof the making of any group relief claims or elections, and any discussions, communications and agreements with HM Revenue & Customs in the Ordinary Course of Business), and except as may be required to remain in compliance with applicable Laws or UK GAAP, make or change any Tax election, adopt or change any Tax accounting method, settle or compromise any material Tax Liability, or consent to the extension or waiver of the limitations period applicable to a Tax claim or assessment;

(xiii) enter into any Contract that would be a Company Material Contract or amend in any material respect any Company Material Contract or grant any release or relinquishment of any material rights under any Company Material Contract, in each case, other than in the Ordinary Course of Business;

(xiv) acquire (by merger, consolidation or acquisition of stock or assets) any other Person or acquire any equity or ownership interest in any other Person, in each case other than in connection with the Investment Business;

(xv) settle or compromise any pending or threatened Action or pay, discharge or satisfy or agree to pay, discharge or satisfy any Liability, other than the settlement, compromise, payment, discharge or satisfaction of Actions and Liabilities (A) reflected or reserved against in full in the balance sheet included in the Accounts and/or Management Accounts, as the case may be, (B) covered by existing

insurance policies, (C) settled since the respective dates thereof in the Ordinary Course of Business, (D) in any of the settlements or related matters set forth in the Seller Disclosure Statement, or (E) otherwise less than €5,000,000 individually and €10,000,000 in the aggregate;

(xvi) except as required by applicable Law or UK GAAP, revalue in any material respect any of its properties or assets, including writing-off notes or accounts receivable other than in the Ordinary Course of Business;

(xvii) declare, make or pay any dividends or distributions (whether in cash, securities or other property) to the holders of its Equity Securities other than dividends, distributions and redemptions declared, made or paid by any Acquired Company solely to another Acquired Company;

(xviii) accelerate the vesting of awards granted under the Pearl Group Deferred Cash Plan or under any other cash or equity based incentive arrangement as a result of or otherwise in connection with the Transaction; or

(xix) enter into a Contract to do any of the foregoing.

(c) Notwithstanding Section 6.1(b), the Sellers will not cause or permit any Parent (and in connection with clauses (vii) below and in so far as clause (viii) relates to clause (vii) below, any Acquired Company) to do any of the following:

(i) propose to adopt any amendments to or amend its Organizational Documents;

(ii) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, other equity-based (whether payable in cash, securities or other property or any combination of the foregoing) commitments, subscriptions, rights to purchase or otherwise) any of its securities;

(iii) acquire or redeem, directly or indirectly, or amend any of its securities;

(iv) split, combine or reclassify any shares of capital stock or other Equity Securities;

(v) propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(vi) declare, make or pay any dividends or distributions (whether in cash, securities or other property) to the holders of its Equity Securities other than dividends, distributions and redemptions declared, made or paid by any Acquired Company solely to another Acquired Company;

(vii) enter into any related party transaction agreements or arrangements with any of the Acquired Companies (as opposed to amongst the Sellers and their Affiliates (other than Acquired Companies)) of the kind contemplated by Section 4.19 without the prior written consent of Buyer not to be unreasonably withheld or delayed;

(viii) enter into a Contract to do any of the foregoing.

(d) Buyer shall not do any of the following:

(i) propose to adopt any amendments to or amend its Organizational Documents (other than as provided in Sections 6.2 and 6.13);

(ii) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, other equity-based (whether payable in cash, securities or other property or any combination of the foregoing) commitments, subscriptions, rights to purchase or otherwise) any of its securities;

(iii) acquire or redeem, directly or indirectly, or amend any of its securities;

(iv) split, combine or reclassify any of its Equity Securities;

(v) propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(vi) incur or assume any long-term or short-term Indebtedness or issue any debt securities;

(vii) except as may be required by applicable Law, or to satisfy contractual obligations existing on the date hereof: (A) enter into, adopt, amend (including to provide for the acceleration of vesting), modify in any material respect or terminate any Plan, increase in any material manner the compensation or fringe benefits of any consultant, director, officer or employee, or (B) pay any special bonus, remuneration or benefit to any director, officer or employee not required by any Plan as in effect as of the date hereof;

(viii) forgive any loans to any of its employees, officers or directors or any of its Affiliates;

(ix) make any deposits or contributions of cash or other property to, or take any other action to fund or in any other way secure the payment of compensation or benefits under, any Plans, other than deposits and contributions that are required pursuant to the terms of any such Plan or any Contracts subject to any such Plan in effect as of the date hereof or as required by applicable Law;

(x) enter into, amend, or extend any collective bargaining agreement;

(xi) acquire, sell, lease, license or dispose of any material property or assets in any single transaction or series of related transactions;

(xii) except as may be required to remain in compliance with applicable Laws or IFRS, make any change in any of the accounting principles or practices used by it;

(xiii) change any material Tax election, change any Tax accounting method, settle or compromise any material Tax Liability, or consent to the extension or waiver of the limitations period applicable to a material Tax claim or assessment;

(xiv) enter into any Contract that would be a Buyer Material Contract or amend in any material respect any Buyer Material Contract or grant any release or relinquishment of any material rights under any Buyer Material Contract;

(xv) acquire (by merger, consolidation or acquisition of stock or assets) any other Person or any equity or ownership interest therein;

(xvi) settle or compromise any pending or threatened Action or pay, discharge or satisfy or agree to pay, discharge or satisfy any Liability;

(xvii) except as required by applicable Law or IFRS, revalue in any material respect any of its properties or assets, including writing-off notes or accounts receivable other than in the Ordinary Course of Business;

(xviii) declare, make or pay any dividends or distributions (whether in cash, securities or other property) to the holders of its Equity Securities; or

(xix) enter into a Contract to do any of the foregoing or knowingly take any action which is reasonably expected to result in any of the conditions to the consummation of the Transaction not being satisfied, or knowingly take any action which would materially impair its ability to consummate the Transaction in accordance with the terms hereof or materially delay such consummation.

SECTION 6.2. *Proxy Statement; Buyer Shareholders' Meeting.*

(a) As promptly as practicable after the execution of this Agreement by all Parties, Buyer will use its reasonable endeavours to prepare and to mail the Proxy Statement to Buyer Shareholders at the earliest practicable time. The Buyer and the Sellers shall agree (each acting reasonably and without delay) to the form and content of the Proxy Statement at the earliest practicable time following the signing of this Agreement.

(b) As promptly as practicable after the execution of this Agreement, Buyer will prepare and file any other filings required under applicable securities laws relating to the transactions contemplated hereby (collectively, the ***"Other Filings"***). The Buyer and the Sellers shall agree (each acting reasonably and without delay) to the form and content of the Other Filings at the earliest practicable time following the signing of this Agreement. The Proxy Statement and the Other Filings will comply in all material respects with all applicable Law and the rules and regulations promulgated thereunder and all requirements of the Offering Circular.

(c) Whenever any event occurs which Buyer reasonably determines is required to be set forth in an amendment or supplement to the Proxy Statement or any Other Filing, Buyer will promptly inform the Sellers of such occurrence, and will prepare and mail to the Buyer Shareholders such amendment or supplement at the earliest practicable time. Any amendment or supplement to the Proxy Statement or any Other Filing shall be agreed by the Sellers and Buyers each acting reasonably and without delay.

(d) The Proxy Statement will be sent to Buyer Shareholders for the purpose of soliciting proxies from them to vote in favor of (i) the resolutions specified in *Schedule 2.2(g)* and the approval of the Transaction, (ii) the amendment of the memorandum and articles of association of Buyer as contemplated by Section 6.13 and (iii) such other items as the Parties may agree (acting reasonably and without unnecessary delay). The Proxy Statement will also be sent to the holders of Buyer Warrants in order to complete the Warrant Amendment.

(e) Buyer shall distribute the Proxy Statement to the Buyer Shareholders and, pursuant thereto, shall call a meeting of the Buyer Shareholders (the ***"Buyer Shareholders' Meeting"***) in accordance with applicable Laws and, subject to the other provisions of this Agreement, solicit proxies from such holders to vote in favor of the adoption of this Agreement and the approval of the Transaction and the other matters presented to the Buyer Shareholders for approval or adoption at the Buyer Shareholders' Meeting.

(f) Buyer shall comply with all applicable Laws in the preparation, filing and distribution of the Proxy Statement, the solicitation of proxies thereunder, and the calling and holding of the Buyer Shareholders' Meeting. The Sellers shall, as promptly as practicable after the execution of this Agreement, provide Buyer with such business description (excluding the financial information) concerning the Acquired Companies and the Sellers as would be required in connection with the offering of securities for sale in the United Kingdom including the information set forth in *Schedule 6.2(f)*.

(g) Buyer, acting through its board of directors, shall include in the Proxy Statement the recommendation of its board of directors that the Buyer Shareholders vote in favor of the adoption of this Agreement and the approval of the Transaction and, subject to Section 6.1(b), shall not withdraw or amend such recommendation prior to the Buyer Shareholder Meeting, and shall otherwise use reasonable endeavours to obtain the Requisite Shareholder Approval.

(h) The Sellers shall, and the Sellers shall cause the Pearl Group Limited to, review the Proxy Statement and shall confirm in writing to Buyer, as of the date of mailing the Proxy Statement to Buyer Shareholders, that the information relating to the Sellers and the Acquired Companies contained in the Proxy Statement (i) contains the information required to be provided by the Sellers pursuant to Section 6.2(f), (ii) does not, to the Knowledge of the Sellers, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and (iii) does to the Knowledge of the Sellers, contain all price sensitive information (as defined in article 5:53(1) of the Dutch Financial Supervision Act (Wet op het financieel toezicht) of the Acquired Companies as if the Acquired Companies were subject to article 5:25i of the Dutch Financial Supervision Act (the ***"Proxy Confirmation"***). Other than with respect to information provided by the Sellers or the Acquired Companies, Buyer shall ensure that the Proxy Statement does not, as of the date on which it is distributed to the Buyer Shareholders, and as of the date of the Buyer Shareholders' Meeting, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

(i) From and after the date on which the Proxy Statement is mailed to the Buyer Shareholders, the Sellers will give Buyer written notice of any event which is known by the Sellers to cause the Proxy Confirmation to be incorrect or inaccurate in any material respect provided that, upon the occurrence of any such event, the

Sellers and Buyer shall cooperate fully to cause an amendment to be made to the Proxy Statement such that the Proxy Confirmation is no longer incorrect or inaccurate in any material respect with respect to any information concerning the Acquired Companies or the Sellers required to be included in the Proxy Statement.

SECTION 6.3. *Directors and Officers of Buyer After Closing.* Buyer and the Sellers shall take all necessary action so that the persons listed on *Schedule 6.3* are appointed or elected, as applicable, to the positions of officers and directors of Buyer and of Pearl Group Limited (as specified in *Schedule 6.3*) to serve in such positions effective immediately after the Closing.

SECTION 6.4. *Required Information.*

To the extent permitted by Law,

(a) The Sellers and Buyer each shall, upon reasonable request by the other, furnish to the other as soon as practicable all reasonable information concerning themselves, their Subsidiaries, the Acquired Companies, the respective directors, officers, shareholders and partners of the Acquired Companies and Buyer (including the directors of Buyer to be elected effective as of the Closing) and such other matters as may be reasonably necessary or advisable in connection with the Transaction, or any other statement, filing, notice or application made by or on behalf of the Acquired Companies and Buyer to any third party and/or any Governmental Entity in connection with the Transaction including any information required for the preparation or submission of any notifications or filings pursuant to Section 2.2(f) or Section 2.3(f) and/or in order to respond to any information or other requests made by any relevant antitrust authorities in order for the relevant waiting periods to terminate or expire and for the approvals and consents to be obtained in accordance with Section 2.2(f) and Section 2.3(f).

(b) From the date hereof through the Closing Date, each of the Parties will provide to the other Parties and their respective Representatives reasonable access (on not less than 48 hours prior notice) during normal business hours to the properties, books, records, employees of the Acquired Companies and Buyer to make or cause to be made such review of the business, the assets, properties and Liabilities and financial and legal condition of the Acquired Companies and Buyer as any Party reasonably deems necessary or advisable, *provided*, that any such review shall not interfere unnecessarily with normal operations of the Acquired Companies or Buyer.

SECTION 6.5. *Confidentiality.*

(a) Any confidentiality agreement with respect to the Transaction previously executed by the Parties (or any of them) shall be superseded in its entirety by the provisions of this Agreement in so far as it relates to Buyer but shall continue to apply to the Representatives of Buyer. Each Party agrees to maintain in confidence any non-public information received from the other Party, and to use such non-public information only for purposes of consummating the Transaction. Such confidentiality obligations will not apply to (i) information which was known to the one Party or its Representatives prior to receipt from the other Party, (ii) information which is or becomes generally known (other than due to a breach of law or other agreement), and (iii) disclosure which the party is reasonably advised is required by Law or the rules and regulations of a stock exchange or trading system provided, that in respect of any disclosures, the provisions of Section 6.7 shall apply *mutatis mutandis*.

(b) In the event this Agreement is terminated, each Party will, at the request of another Party hereto (i) return or cause to be returned by its Representatives to such Party all documents and other material obtained from such Party in connection with the Transaction and (ii) use its reasonable endeavours to delete from its computer systems all documents and other material obtained from such Party in connection with the Transaction

SECTION 6.6. *Non-Compete; Non-Solicit.*

(a) For a period of one year after the Closing (the ***"Restricted Period"***), none of the Sellers (the ***"Restricted Parties"***) shall engage, directly or indirectly, in the purchase, sale or management of funds that are no longer open for the underwriting of new life insurance or life assurance policies (save for instruments and annuities issuable upon the maturity of existing policies) anywhere in the United Kingdom or any other

territory in which an Acquired Company is, as of the Closing Date, conducting the Business (other than the Investment Business), other than through or pursuant to the operation of Buyer and its Subsidiaries (including the Acquired Companies) provided, however, that, for the purposes of this Section 6.6, ownership of securities having no more than five percent of the outstanding voting power of any competitor of Buyer and its Subsidiaries (including the Acquired Companies) which are listed on any national securities exchange shall not be deemed to be in violation of this Section 6.6 as long as the Person owning such securities has no other connection or relationship with such competitor.

(b) As a separate and independent covenant, the Restricted Parties agree with Buyer that, during the Restricted Period, no Restricted Party will in any way, directly or indirectly induce or attempt to induce any officers, employees, representatives or agents of any Acquired Company to leave the employ of an Acquired Company or violate the terms of their contracts, or any employment arrangements, with an Acquired Company.

(c) Each Restricted Party acknowledges that the covenants of the Restricted Parties set forth in this Section 6.6 are an essential element of this Agreement and that, but for the agreement of the Restricted Parties to comply with these covenants, Buyer would not have entered into this Agreement. Each Restricted Party acknowledges that this Section 6.6 constitutes an independent covenant that shall not be affected by performance or nonperformance of any other provision of this Agreement by Buyer. Each Restricted Party has independently consulted with its counsel and after such consultation agrees that the covenants set forth in this Section 6.6 are reasonable and proper.

SECTION 6.7. *Public Disclosure.*

(a) From the date of this Agreement until Closing or termination, Buyer and the Sellers shall cooperate in good faith to jointly prepare all press releases and public announcements pertaining to this Agreement and the Transaction, and no such Party shall issue or otherwise make any public announcement or communication pertaining to this Agreement or the Transaction without the prior consent of Buyer (in the case of the Sellers) or the Sellers (in the case of Buyer). Neither Buyer nor the Sellers will unreasonably withhold approval from the others with respect to any press release or public announcement. Notwithstanding the foregoing, if any such Party determines with the advice of counsel that it is reasonably required to make this Agreement and the terms of the Transaction public or otherwise issue a press release or make public disclosure with respect thereto, it shall, at a reasonable time before making any public disclosure, consult with the other Party regarding such disclosure, allow (if possible) the other Party reasonable time to comment on such release or announcement in advance of such issuance, seek such confidential treatment for such terms or portions of this Agreement or the Transaction as may be reasonably requested by the other Party and disclose only such information as is advised is required to be disclosed. This provision will not apply to communications by any Party to its counsel, accountants or financial advisors engaged for this Transaction.

(b) Notwithstanding the foregoing, the Parties agree that as promptly as practicable after the execution of this Agreement, Buyer will file with the AFM the applicable filing necessary to report the execution of this Agreement, with respect to which Buyer shall consult with the Sellers. Buyer shall provide to the Sellers for review and comment a draft of such report prior to filing with the AFM; provided that unless objected to by the Sellers by written notice given to Buyer within two (2) days after delivery to the Sellers specifying the language to which reasonable objection is taken, any language included in such filing shall be deemed to have been approved by the Sellers and may be filed with the AFM and used in other filings made by Buyer with the AFM.

SECTION 6.8. *Reasonable Endeavours.* Upon the terms and subject to the conditions set forth in this Agreement, each of the Parties agrees to use its reasonable endeavours to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Transaction, including using reasonable endeavours to cause the conditions precedent set forth in Section 2.2 or 2.3, as applicable, to be satisfied, provided that the Parties obtain all necessary actions, waivers, consents, approvals, orders and authorizations from Governmental Entities, make all necessary registrations,

declarations and filings (including registrations, declarations and filings with Governmental Entities, if any) and take all reasonable steps as may be necessary to avoid any Action by any Governmental Entity.

SECTION 6.9. *Notices of Certain Events.* From the date hereof through the earlier of the Closing Date or termination of this Agreement, the Sellers will notify Buyer, and Buyer will notify the Sellers, of: (a) any notice or other communication from any Person alleging that the Consent of such Person is or may be required in connection with the Transaction where such action would amount to a Seller Material Adverse Effect or Buyer Material Adverse Effect; (b) any notice or other communication from any Governmental Entity in connection with the Transaction; and (c) any Action commenced or threatened in writing, relating to or involving or otherwise affecting the Acquired Companies, Buyer, the assets, Liabilities or employees of the Acquired Companies or Buyer or the consummation of the Transaction where such action would amount to either a Seller Material Adverse Effect or a Buyer Material Adverse Effect. No notice pursuant to this Section will affect any warranties, covenants, obligations, agreements or conditions set forth herein or otherwise affect any available remedies.

SECTION 6.10. *Directors' and Officers' Insurance.* From and after the Closing Date and until the six year anniversary of the Closing Date, Buyer shall maintain in effect directors' and officers' liability insurance covering those Persons covered by the directors' and officers' liability insurance maintained by Buyer as of the date hereof for any actions taken by them or omissions by them on or before the Closing Date with the same directors' and officers' liability insurance coverage as may be provided from time to time by Buyer to its then existing directors and officers; provided that, in no event will Buyer be required to expend in the aggregate amounts in any year in excess of €200,000 over the amount it would otherwise have expended for such insurance to cover its then existing directors and officers (in which event, Buyer shall purchase the greatest coverage available for such amount). Nothing in this Section shall affect the right of any directors or officers that continue their employment with Buyer to participate in any directors' and officers' liability insurance policy in effect after the Closing for actions taken after Closing.

SECTION 6.11. *Advice of Changes.* The Sellers, on the one hand, and Buyer, on the other hand, will give prompt notice to the other upon gaining Knowledge of the occurrence, or failure to occur, of any event which would be likely to (a) cause any condition set forth in Section 2.2 or Section 2.3 to become incapable of being fulfilled or materially delayed or (b) give rise to a right to terminate this Agreement. No notice pursuant to this Section will affect any warranties, covenants, agreements, obligations or conditions set forth herein or limit or otherwise affect any available remedies.

SECTION 6.12. *Consents.* Promptly after the date of this Agreement, the Parties will (a) make all filings required by Law to be made by the Sellers, the Acquired Companies or Buyer, as applicable, in connection with the Transaction Documents or the consummation of the Transaction, (b) cooperate with the other Parties with respect to all filings that each such Party reasonably elects to make or is required by Law to make in connection with the Transaction Documents or the consummation of the Transaction and (c) obtain all Consents and Orders of all Persons required to be obtained in connection with the execution, delivery and performance of the Transaction Documents and the consummation of the Transaction.

SECTION 6.13. *Amended and Restated Buyer Organizational Documents.* Prior to the Closing Date (a) upon approval at Buyer Shareholders' Meeting, the memorandum and articles of association of the Buyer will be amended, substantially as set forth in *Exhibit B,* with such changes therein as may be approved by Buyer and the Sellers (acting reasonably).

SECTION 6.14. *Rights Offer and Subscription Agreement*

(a) Notwithstanding the provisions of Section 6.1, Buyer acknowledges that TC1 and TC2 are, prior to the Closing, intending to give effect to, respectively, the TC1 Rights Offer, the TC2 Rights Offer and the transactions contemplated by the Subscription Agreement. Provided that the TC1 Rights Offer, the TC2 Rights Offer and the transactions contemplated by the Subscription Agreement are given effect only in accordance with the provisions of the Rights Offer Documents (as amended with Buyer's consent not to be unreasonably withheld or delayed), Buyer acknowledges and agrees that Sellers will not be in breach of their obligations

under Section 6.1 as a result of the completion of TC1 Rights Offer, the TC2 Rights Offer and/or the Subscription Agreement.

(b) In connection with the Rights Offer, prior to the Closing the Sellers shall:

(i) use their reasonable endeavours to issue the Rights Offer Document (save for the Subscription Agreement) to the TC1 Shareholders and the TC2 Shareholders as soon as practicable following the date of this Agreement;

(ii) provide Buyer with copies of all Rights Offer Documents in order to permit Buyer to review and comment on each Rights Offer Document and not permit the use of any Rights Offer Document which shall not have been approved by Buyer, such approval not to be unreasonably withheld or delayed;

(iii) give written notice to Buyer of any decision by the board of directors of either TC1 or TC2 to proceed with either the TC1 Rights Offer or the TC2 Rights Offer respectively;

(iv) procure that TC1 and TC2 request and obtain any third party consents or approvals that are required in connection the relevant Rights Offer prior to such Rights Offer being made;

(v) provide a certified copy of each document executed or issued by TC1 and TC2 in connection with the Rights Offer as soon as reasonably practicable after such document has been issued or executed by TC1 or TC2, as appropriate;

(vi) procure that prior to Closing neither TC1 nor TC2 use, expend, or in any way allow to become subject to any Lien any of the funds raised pursuant to the TC1 Rights Offer or the TC2 Rights Offer respectively for any purpose; and

(vii) keep Buyer fully informed of the results of the Rights Offer.

(c) In connection with the Subscription Agreement, the Sellers shall:

(i) fully comply with their respective obligations under the Subscription Agreement in a timely manner; and

(ii) procure that TC1 and TC2 take all necessary action required to meet all conditions to the completion of the Subscription Agreement.

SECTION 6.15. *Company Reorganization, Debt Restructuring, Pension Reorganization and Related Party Arrangements.* The Sellers shall use reasonable endeavours to cause the Acquired Companies to (a) as promptly as practicable following the date hereof prepare the documentation necessary for the Debt Restructuring, the Company Reorganization, the Pension Reorganization and the Related Party Arrangements to the reasonable satisfaction of each of the Parties and (b) implement the Debt Restructuring, the Company Reorganization, the Pension Reorganization and the Related Party Arrangements in accordance with *Schedules, 2.2(j), 2.2(n)* and *2.2(q)*, respectively, and in accordance with the documentation prepared pursuant to clause (a) immediately above. For the avoidance of doubt, nothing in this Section 6.15 shall be deemed to be a warranty that the Sellers can successfully and timely complete the Company Reorganization, Debt Restructuring, Pension Reorganization or Related Party Amendments.

SECTION 6.16. *Governmental Notifications.* Notification and requests for approval as well as all requests and enquiries from any Governmental Entity which relate to the Transaction shall be dealt with promptly using reasonable endeavours by the Party responsible by Law for making such notification or obtaining such approval and the Parties shall promptly co-operate in good faith with each other and shall provide all necessary information and assistance required by the Governmental Entity upon being reasonably requested to do so by any Party. The Parties will use reasonable endeavours to procure that the conditions to Closing set forth in Sections 2.2 and 2.3 are satisfied as soon as practicable after the date of this Agreement. Without prejudice to the foregoing, the Sellers and Buyer agree that all requests and enquiries from any Governmental Entity which relate to the satisfaction of the conditions set out in Section 2.2(m) and Section 2.3(n) shall be dealt with by the Sellers and Buyer in consultation with each other and the Sellers and Buyer shall promptly

co-operate with and provide all necessary information and assistance reasonably required by such Governmental Entity upon being requested to do so by the other.

SECTION 6.17. *Lock Up.* For a period of one year from the Closing Date, no Seller shall (a) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Issued Shares or any Equity Securities which are derived from such Issued Shares or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any Issued Shares or any Equity Securities which are derived from such Issued Shares, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Issued Shares or Buyer Ordinary Shares or such other securities, in cash or otherwise. Notwithstanding the foregoing, a Seller may (i) sell up to fifty percent (50%) of the Issued Shares or any Equity Securities which are derived from such Issued Shares issued to such Seller with a value equal to the value of any Tax payable by such Seller with respect to such Issued Shares; and (ii) sell such further Issued Shares or any Equity Securities which are derived from such Issued Shares so as to take account of any Tax payable by such Seller on any sale referred to in part (i) or in this part (ii) of this Section 6.17, *provided* that the aggregate number of Issued Shares or any Equity Securities which are derived from such Issued Shares sold by a Seller pursuant to part (i) and part (ii) of this Section 6.17 shall not exceed 50% of the Issued Shares or any Equity Securities which are derived from such Issued Shares issued to such Seller.

SECTION 6.18. *No-Shop.*

(a) The Sellers agree that, from the date hereof until the earlier of the termination of this Agreement or Closing, they shall use their reasonable endeavours to ensure that neither they, nor any Affiliate thereof shall, nor shall they authorize or permit any Representatives of any Seller or their respective Affiliates, directly or indirectly, to (a) solicit or initiate or knowingly encourage or otherwise knowingly facilitate (including by way of furnishing information) any inquiries or the implementation or submission of any Seller Competing Transaction or (b) participate in discussions or negotiations regarding, or furnish to any person any non-public information in connection with, any Seller Competing Transaction. None of the Sellers shall and they shall use their reasonable endeavours to ensure that their respective Affiliates do not enter into any letter of intent, acquisition agreement or similar agreement with respect to any Seller Competing Transaction. Notwithstanding the foregoing, if this Agreement is terminated by (a) the Sellers other than for the non-fulfillment of the conditions specified in Section 2.3(a), 2.3(b), 2.3(c), 2.3(f), 2.3(g), 2.3(j) or 2.3(k) or (b) by Buyer for failure of the Sellers to perform their obligations under Section 2.4(b) notwithstanding fulfillment of all of the conditions specified in Section 2.3, then, notwithstanding Section 7.2, this Section 6.18(a) shall survive such termination until December 31, 2009. For the purposes of this Section 6.18(a), ***"Seller Competing Transaction"*** means any proposal or offer from any Person other than Buyer relating to (a) any direct or indirect acquisition of more than 5% of the assets or Equity Securities of any of the Acquired Companies or (b) any merger, consolidation, business combination or other similar transaction relating to any of the Acquired Companies provided that (a) and (b) shall not apply to any actions or transactions required pursuant to the Company Reorganization or the Debt Restructuring. The Sellers warrant that there are no existing letters of intent or any other agreements to which any of the Sellers or the Acquired Companies are bound with respect to a Seller Competing Transaction.

(b) Buyer agrees that, from the date hereof until the earlier of the termination of this Agreement or Closing, it shall use its reasonable endeavours to ensure that neither it, nor any Affiliate of it shall, nor shall it authorize or permit any Representatives of Buyer or their respective Affiliates, directly or indirectly, (a) solicit or initiate or knowingly encourage or otherwise knowingly facilitate (including by way of furnishing information) any inquiries or the implementation or submission of any Buyer Competing Transaction or (b) participate in discussions or negotiations regarding, or furnish to any person any non-public information in connection with, any Buyer Competing Transaction. Buyer shall not and it shall use its reasonable endeavours to ensure that its Affiliates do not enter into any letter of intent, acquisition agreement or similar agreement with respect to any Competing Transaction. For the purposes of this Section 6.18(b), ***"Buyer Competing Transaction"*** means any proposal or offer from any Person other than the Sellers relating to (a) any direct or indirect acquisition of more than 5% of the assets or Equity Securities of Buyer or (b) any merger,

consolidation, business combination or other similar transaction relating to Buyer. Buyer warrants that there are no existing letters of intent or any other agreements to which Buyer is bound with respect to a Buyer Competing Transaction.

SECTION 6.19. *PFIC.* If requested by any direct or indirect shareholders of Buyer, Buyer shall, and the Sellers shall at any time in which they control Buyer, use reasonable endeavours to cause Buyer to, annually provide to Buyer Shareholders on a timely basis a "PFIC Annual Information Statement" described in Section 1.1295-1(g)(1) of the United States Treasury Regulations, a "combined PFIC Annual Information Statement" described in Section 1.1295-1(4)(g)(i) of the United States Treasury Regulations or an "Annual Intermediary Statement" described in Section 1.1295-1(4)(g)(ii) of the United States Treasury Regulations, and to provide all other information, statements, representations and certifications and take all such other actions as reasonably required to allow Buyer Shareholders to make "qualified electing fund" elections pursuant to Section 1295 of the Code and to comply with all requirements relating to such elections.

SECTION 6.20. *Pearl Group Deferred Cash Plan.* The Sellers will procure that the board of directors of Pearl Group Limited does not accelerate the vesting of awards granted under the Pearl Group Deferred Cash Plan (or under any other cash or equity based incentive arrangement) as a result of or otherwise in connection with the Transaction.

SECTION 6.21. *Tax Matters.* Each of the Sellers agrees that, if requested by Buyer, and subject to such Seller's costs being borne by Buyer, it will take such reasonable actions or will agree to such reasonable modifications to this Agreement as specifically so requested, to the extent such actions or modifications have no adverse effect on any Seller or Affiliate of any Seller or such adverse effect is ameliorated by Buyer, to (1) structure the Transaction as a "qualified stock-purchase" (within the meaning of Section 338(d) of the Code) of the stock of each of the Acquired Companies, and (2) cause each of the Acquired Companies to make an election pursuant to Section 338(g) of the Code. The Sellers shall give no warranty, representation or other assurance with respect to the consequences of any such actions or modifications.

SECTION 6.22. *Guarantees.* The Sun Parties hereby guarantee the full and complete performance by, and shall cause Xercise and Xercise MC to comply in all respects with, all of Xercise and Xercise MC's obligations under this Agreement. TDR hereby guarantees the full and complete performance by, and shall cause Jambright and Jambright MC to comply in all respects with, all of Jambright's and Jambright MC's obligations under this Agreement

ARTICLE VII

TERMINATION

SECTION 7.1. *Termination.* This Agreement may be terminated and the Transaction abandoned at any time prior to the Closing Date:

(a) by the mutual written agreement of Buyer and the Sellers;

(b) by written notice by Buyer to the Sellers or by any Seller to Buyer, if (i) the Closing Date shall not have occurred on or before the Termination Date or (ii) the Opal Re Purchase Agreement shall have been terminated;

(c) by written notice by Buyer to the Sellers or by the Sellers to Buyer, if there shall be any Law that makes consummation of the Transaction illegal or otherwise prohibited or if any court of competent jurisdiction or other Governmental Entity shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting consummation of the Transaction, and such order, decree, ruling or other action shall not be subject to appeal or shall have become final and unappealable;

(d) by written notice by Buyer to the Sellers if there is a Seller Material Adverse Effect or by written notice by the Sellers to Buyer if there is a Buyer Material Adverse Effect;

(e) by written notice by Buyer to the Sellers if the Acquired Companies (taken as a whole), other than in respect of its Investment Business, incur Financial Indebtedness in aggregate in excess of €100,000,000 in one transaction or a series of transactions;

(f) by written notice by Buyer to the Sellers if the Acquired Companies (taken as a whole), other than in respect of its Investment Business, sell any of their Assets or contract to sell any of their Assets with a fair market value in excess of €100,000,000 in the aggregate in one transaction or a series of transactions;

(g) by written notice by Buyer to the Sellers if the aggregate amount of payments owing by the Acquired Companies (taken as a whole) as a result of the signing of this Agreement or the completion of the Transaction as a result of bonus, exit, deal remuneration or "change of control" provisions contained in any individual's contract of employment or other contractual arrangement with any Acquired Company exceed €5,000,000;

(h) by written notice by Buyer to the Sellers if any Seller shall have breached the provisions of Section 6.1(c) or Section 6.18(a);

(i) by written notice by the Sellers to Buyer if Buyer shall have breached the provisions of Section 6.1(d) or Section 6.18(b); and

(j) by written notice by Buyer to the Sellers if Buyer has Knowledge of any condition set forth in Section 2.2 that, in its reasonable discretion, is incapable of being fulfilled or by written notice by any Seller to Buyer if a Seller has Knowledge of any condition set forth in Section 2.3 that, in its reasonable discretion, is incapable of being fulfilled.

SECTION 7.2. *Effect of Termination.* In the event of the termination of this Agreement pursuant to Section 7.1, this Agreement (other than those provisions which expressly survive termination of this Agreement) shall thereafter become void and have no effect, without any Liability on the part of any Party or its Affiliates or Representatives in respect thereof, except that nothing herein will relieve any Party from Liability for any breach of this Agreement.

ARTICLE VIII

SURVIVAL AND CLAIMS

SECTION 8.1. *Survival.* All warranties in this Agreement or the Transaction Documents will survive the Closing; provided that no Claim based on a breach of any warranty may be made after the date that is 30 days after the completion and delivery to Buyer and Buyer's Representative of Buyer's audited financial statements for the fiscal year ending December 31, 2010 (the ***"Claim Date"***).

SECTION 8.2. *Warranty Claims by Buyer.* The Sellers and the Opal Re Seller shall be severally liable to Buyer for any breach of warranty subject to:

(a) the limitations set out in Section 8.1 and Section 8.4;

(b) any matters Fairly Disclosed by or under this Agreement, any Transaction Document, the Seller Disclosure Statement or any Schedule hereto; and

(c) no other statement, promise or forecast made by or on behalf of the Sellers, the Acquired Companies or their Representatives may form the basis of any breach of warranty claim by Buyer under or in connection with this Agreement save as set out in Articles III and IV and Buyer acknowledges and agrees that none of the Sellers, the Acquired Companies or their Representatives make any warranty or any forecasts, estimates, projections, statement of intent or statement of opinion provided to Buyer or its Representatives prior to the date of this Agreement (including those in any document provided to Buyer).

SECTION 8.3. *Warranty Claims by Sellers.* Buyer shall be liable to the Sellers for any breach of warranty subject to:

(a) the limitations set out in Section 8.1 and Section 8.4;

(b) any matters Fairly Disclosed by or under this Agreement, any Transaction Document, the Buyer Disclosure Statement or any Schedule hereto; and

(c) no other statement, promise or forecast made by or on behalf of Buyer or its Representatives may form the basis of any breach of warranty claim by the Sellers under or in connection with this Agreement save as set out in Article V and the Sellers acknowledge and agree that neither Buyer nor its Representatives make any warranty or any forecasts, estimates, projections, statement of intent or statement of opinion provided to the Sellers or their Representatives prior to the date of this Agreement (including those in any document provided to the Sellers).

SECTION 8.4. *Limitations on Liability.*

(a) *Certain Limitations.* Notwithstanding any contrary provision in this Article VIII:

(i) *Time Bar on Claims.* No Claimant will be entitled to any recovery from any Defendant with respect to any Claim under Section 8.2 or 8.3 unless a Notice of Claim has been given on or before the Claim Date.

(ii) *Insurance Recoveries.* Damages relating to any warranty claim hereunder will be decreased by insurance proceeds or payments from any other responsible parties actually received by such Person (after deducting costs and expenses incurred in connection with recovery of such proceeds). If such proceeds are received after settlement of such Claim, the Claimant shall pay such proceeds (less the reasonable cost of expenses of collecting such proceeds) to the Defendant.

(iii) *Claim Threshold.* A Claimant shall not be entitled to make any Claim under, relating to or in connection with Section 8.2 or 8.3:

(A) for any Claim (other than No Threshold Claims and Tax Claims) that involves Damages of less than €500,000;

(B) for any Tax Claim that involves Damages of less than €5,000,000; or

(C) for any Claim (other than (i) a Claim related to Seller Designated Warranties or (ii) a Claim related to Buyer Designated Warranties (the ***"No Threshold Claims"***) until the aggregate amount of all Claims under this Agreement and all Claims under the Opal Re Purchase Agreement (other than (i) any Claims excluded by clause (A) above and (ii) the No Threshold Claims and excluding No Threshold Claims under the Opal Re Purchase Agreement) by such Claimant exceeds €50,000,000 (the ***"Claim Threshold"***)). After the Claim Threshold is exceeded, the Claimant shall be entitled to recover the full amount of Damages in excess of the Claim Threshold.

(iv) *Maximum Liability.* The maximum Liability under this Agreement and the Opal Re Agreement in the aggregate for any and all Claims (including any Claims under the Opal Re Purchase Agreement) shall in no event exceed:

(A) for each Seller together with the Opal Re Seller, an amount equal to 50% of the Claim Reimbursement Shares (with the value of such Claim Reimbursement Shares equal to the value of such Claim Reimbursement Shares as of the Closing Date) issued to such Seller (and the Opal Re Seller), except that in the case of any Claim or Claims for breach of a Seller Designated Warranty, such amount shall be equal to 100% of the Claim Reimbursement Shares (with the value of such Claim Reimbursement Shares equal to the value of such Claim Reimbursement Shares as of the Closing Date) issued to such Seller (and the Opal Re Seller); and

(B) for Buyer, an amount equal to the value of 50% of the Issued Shares (as of the Closing Date), except that in the case of any Claim or Claims for breach of a Buyer Designated Warranty, such amount shall be equal to 100% of the value of the Issued Shares (as of the Closing Date).

(v) *Tax Adjustment*. The amount of any Damages (a ***"Payment"***) which is provided for under this Agreement will be (A) increased (but in no event above any maximum Liability set forth in Section 8.4(a)(iv)) to take account of any Tax cost incurred by the recipient of the Payment (***"Recipient"***) arising from the receipt of the Payment hereunder (unless such Payment is treated as an adjustment to the Purchase Price for tax purposes) and (B) reduced to take account of any Saving (as defined below) currently realizable by the Recipient arising from the incurrence or payment of any such Payment. Any Payment made pursuant to this Agreement will be treated as an adjustment to the Purchase Price for Tax purposes unless a determination by the relevant Tax authorities with respect to the Recipient causes any such payment not to constitute an adjustment to the Purchase Price for Tax purposes. ***"Saving"*** means an amount by which the Tax Liability of the Recipient (or group of entities including the Recipient) is reduced (including by deduction, reduction of income by virtue of increased tax basis or otherwise, entitlement to refund, credit or otherwise) plus any related interest received from the relevant taxing authority. Where a Recipient has other losses, deductions, credits or items available to it, the Saving from any losses, deductions, credits or items relating to the Payment shall be deemed to be realized before any other losses, deductions, credits or items are realized. For purposes of this Section 8.4, unless the parties agree to an alternative method for determining the present value of any anticipated Saving, a Saving is "currently realizable" to the extent that it can be reasonably anticipated that such Saving will be realized in the current taxable period or year or in any Tax Return with respect thereto (including through a carryback to a prior taxable period) or in any taxable period or year prior to the date of the Claim. In the event that any Saving is currently realized in a year subsequent to the time when Payment is paid (and no present value adjustment has been made), the Recipient will pay the amount of the Saving to the Defendant at that time. In the event that there should be a determination disallowing the Saving, the Defendant shall be liable to refund to the Recipient the amount of any related reduction previously allowed or payments previously made to the Defendant pursuant to this Section 8.4(a)(v).

(vi) *Limit on Consequential Damages*. None of any Seller, the Opal Re Seller or Buyer shall have any obligation to any Person pursuant to this Agreement against such Person's own consequential or incidental damages arising out of a breach by a Seller or by Buyer of its warranties in this Agreement.

(vii) *Sole Remedy*. The provisions of this Article VIII will be the sole and exclusive remedy of the parties hereto for any misrepresentation, breach or inaccuracy of any warranty made by another Party hereto in this Agreement, provided that nothing in this Agreement shall limit any rights or remedies of any Party (A) for claims of fraud or (B) which, as a matter of applicable Law or public policy, cannot be limited or waived.

(viii) *Provisions in Company Financial Statements*. No Seller or the Opal Re Seller shall be liable under this Agreement in respect of any Claim if and to the extent that proper allowance, provision or reserve is made in the Accounts and/or Management Accounts for the matter giving rise to the Claim.

(ix) *Matters Arising After the Signing of this Agreement*. No Seller or the Opal Re Seller shall be liable under this Agreement in respect of any matter, act, omission or circumstance (or any combination thereof), including the aggravation of a matter or circumstance and any Losses arising therefrom, to the extent that the same would not have occurred but for:

(A) any act, omission or transaction done, committed or effected prior to Closing by Buyer, or its directors, officers, employees, Affiliates or agents or successors in interest outside the Ordinary Course of Business or otherwise than pursuant to a Contract to which Buyer or an Acquired Company is subject;

(B) the passing of, or any change in, after the signing of this Agreement, of any Law including any increase in the rates of Taxation or any imposition of Taxation or any withdrawal of relief from Taxation not actually (or prospectively) in effect at Closing;

(C) any change after the signing of this Agreement of any generally accepted interpretation of any Law;

(D) an act, omission or transaction to which Buyer has consented in writing prior to the Closing Date.

(x) *Duty to Mitigate*. Claimant shall procure that all reasonable steps are taken to avoid or mitigate any loss or damage which it may suffer in consequence of any breach by a Defendant of the warranties (not including any Tax warranties) and in relation to any Claim under Section 8.2 or Section 8.3.

(xi) *No double recovery*. Buyer shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once in respect of the same loss either under this Agreement or in connection with the Opal Re Purchase Agreement.

(xii) *Claims to be withdrawn when litigation has commenced*. Any Claim shall (if it has not been previously satisfied or withdrawn) be deemed to have been withdrawn nine months after the notice is given pursuant to Section 8.6 when legal proceedings in respect of it have been commenced by being issued and served.

(xiii) *Tax*. The Sellers shall not be liable in respect of any Tax Claim if and to the extent that (i) any relief, loss, refund or debit for Tax purposes or other Tax benefit, in each case which was not reflected or taken into account in (or in the preparation of) the Acquired Companies' Accounts, and which did not arise in the Ordinary Course of Business of any Acquired Company since December 31, 2008, is available to set against, reduce or otherwise mitigate the Tax Liability the existence of which would, but for this Section 8.4(a)(xiii), give rise to a Tax Claim or (ii) there is any overprovision for Tax (as certified by the auditors from time to time of any relevant Acquired Company) in the Acquired Companies' Accounts which has not previously been taken into account for the purposes of this Section 8.4(a)(xiii).

(xiv) *Exclusive Claims*. The warranties made in Section 4.9 are the sole and exclusive warranties made by the Sellers with respect to Tax matters and the warranties made in Section 5.10 are the sole and exclusive warranties made by Buyer with respect to Tax matters. No Claim may be made under Section 8.2 or Section 8.3 for breach of any other warranty made in this Agreement, or otherwise, for any Liability, event, circumstance, condition or state of facts, relating to Tax matters, notwithstanding that any Liability, event, circumstance, condition or state of facts does or might result in a breach of any other warranty made in this Agreement, including, in respect of the Sellers, Section 4.7 and, in respect of Buyer, Section 5.8.

(b) *No Claims*. To the extent the Sellers or Buyer had the right to terminate this Agreement pursuant to Section 7.1(d) hereof, but opted not to terminate this Agreement and to proceed to Closing, neither such Party shall have the right to bring a Claim hereunder with respect to the events or circumstances which gave rise to the Buyer Material Adverse Effect or Seller Material Adverse Effect, as applicable. To the extent there are circumstances that would give rise to a Claim by Buyer hereunder, but such circumstances were publicly disclosed or disclosed in writing to each of the Buyer Shareholders and the Requisite Shareholder Approval is nonetheless subsequently obtained and the Parties proceed to Closing, Buyer may not bring a Claim hereunder with respect to the subject matter of such disclosed information.

(c) *Pro Rata Share*. For the avoidance of doubt, each of the Sellers and the Opal Re Seller shall not be liable hereunder in respect of any Claim for an amount in excess of a proportion of such Claim equal to the proportion of the Issued Shares, Class B Ordinary Shares and Contingent Agreement Shares received by or to be issued to such Seller or the Opal Re Seller pursuant to this Agreement and the Opal Re Purchase Agreement divided by the total number of Issued Shares, Class B Ordinary Shares and Contingent Agreement Shares received by or to be issued to the Sellers and the Opal Re Seller pursuant to this Agreement and the Opal Re Purchase Agreement.

SECTION 8.5. *Procedure for Third-Party Claims*.

(a) Promptly after a Claimant becomes aware of an Action or potential Action by a third party (a ***"Third Party Claim"***), but in any event within 20 days, with respect to a warranty claim that is or may be made pursuant to Section 8.2 or 8.3 hereof, the Claimant will give notice thereof to the Defendant; provided,

however, that the failure of the Claimant to notify the Defendant will not relieve the Defendant of any of its obligations hereunder, except to the extent that the Defendant demonstrates that the amount due under any Third Party Claim has been increased in which case the Defendant shall not be liable for such increase.

(b) If any Action referred to in Section 8.5(a) is brought against a Claimant and it gives notice to the Defendant of the commencement of such Action, the Defendant will be entitled to participate in such Action, and the Claimant shall ensure that the Defendant and its Representatives are given all information and facilities to investigate the Claim.

(c) The Claimant shall not admit Liability or make any agreement or compromise in relation to the Third Party Claim without the prior written approval of the Defendant, such approval not to be unreasonably withheld or delayed.

(d) Subject to Claimant being indemnified by the Defendant against all reasonable out of pocket costs and expenses incurred in respect of that Third Party Claim, the Claimant shall take such action as the Defendant may request to avoid, resist, dispute, appeal, compromise or defend the Third Party Claim provided that the Claimant shall not be required to take any action which the Claimant can demonstrate would reasonably be expected to be materially detrimental to the legitimate business interests of any member of the its group or the Claimant or Claimant group's relationship with any Governmental Entity.

(e) Defendant and Claimant agree to provide each other with reasonable access during regular business hours to the properties, books and records and Representatives of the other, as reasonably necessary in connection with the preparation for an existing or anticipated Action involving a Third-Party Claim and its obligations with respect thereto pursuant to this Article VIII.

(f) For purposes of this Section 8.5, any reference to an ***"Claimant"*** and ***"Defendant"*** shall mean (i) in the case of any Claim by or against Buyer, Buyer and (ii) in the case of any Claim by or against the Sellers, the Sellers.

SECTION 8.6 *Claim Procedures.* The following procedures shall apply to any Claim by Buyer or the Sellers to the extent that it is not a Third-Party Claim:

(a) *Notice of Claim.* A Notice of Claim shall be given as soon as reasonably practicable, and, in any event within 45 days, after the Claimant determines that it is or may be entitled to bring a Claim pursuant to this Agreement as follows (it being understood that failure to so notify within such 45 day period shall permanently bar such Claim):

(i) in the case of any Claim by Buyer to the Sellers at the address and in the manner provided in Section 9.6. The Sellers shall be the Defendant solely for purposes of the procedures in this Section, and no Liability in respect of any Claim shall be contested, settled, admitted, litigated or otherwise dealt with by or on behalf of the Sellers by any Person other than the Sellers, but any Amount Payable hereunder shall be handled as provided in the other Sections of this Agreement.

(ii) in the case of any Claim by a Seller against Buyer, by the Sellers to Buyer at the address and in the manner provided in Section 9.6. Buyer shall be the Defendant for purposes of the procedures in this Section, and no Liability in respect of any Claim shall be contested, settled, admitted, litigated or otherwise dealt with by or on behalf of Buyer by any Person other than Buyer, but any Amount Payable hereunder shall be handled as provided in the other Sections of this Agreement .

(b) *Dispute Notice.* If the Defendant disputes (i) its liability in respect of any Claim set forth in a Notice of Claim or (ii) the Claim Amount set forth in a Notice of Claim, a Dispute Notice shall be given as soon as practicable, but in no event later than 30 days, after the Notice of Claim is given, as follows:

(i) in the case of any Claim by Buyer, a Dispute Notice may be given only by Buyer to the Sellers at the address and in the manner provided in Section 9.6.

(ii) in the case of any claim by a Seller against Buyer, a Dispute Notice may be given only by the Sellers to Buyer at the address and in the manner provided in Section 9.6.

(A) If no Dispute Notice is given within such 30 day period, each claim as set forth in the Notice of Claim, shall be deemed to be agreed, effective on the first day following such 30 day period, and the Claim Amount set forth in the Notice of Claim shall immediately be an Amount Payable of the relevant Defendant.

(B) If a Dispute Notice is given within such 30 day period, then:

(1) The portion, if any, of the Claim Amount which is not disputed in the Dispute Notice shall immediately be an Amount Payable of the relevant Defendant.

(2) The Defendant and the Claimant shall negotiate in good faith to settle the dispute, and the portion, if any, of the Claim Amount which the Defendant and the Claimant agree in writing is payable shall immediately be an Amount Payable of the Defendant.

(3) If the Defendant and the Claimant are unable to resolve any portion of the Claim Amount within two months following the date the Dispute Notice is given, either the Defendant or the Claimant may initiate arbitration proceedings pursuant to the terms of this Agreement to obtain resolution of the dispute.

(4) If neither the Defendant nor the Claimant initiates arbitration proceedings in respect of the dispute within six months following the date the Dispute Notice is given, the portion of the Claim Amount which is disputed shall not be an Amount Payable, and the Claimant shall have no further right, under this Agreement, to seek to recover such amount from the Defendant or to withhold such amount from any payment otherwise required pursuant to this Agreement.

(5) If the Defendant or the Claimant initiates arbitration proceedings within the six month period specified in Section 8.6(b)(ii)(B)(4), the amount, if any, determined in a Final Determination as payable by the Defendant shall be an Amount Payable of the relevant Defendant as of the date of such Final Order.

(c) *Payments of Amounts Payable by Buyer.*

(i) Subject to the limitations in Section 8.4, Buyer shall pay to each relevant Seller any Amount Payable by Buyer, by wire transfer of immediately available Euros (or as otherwise directed pursuant to any Final Order or as otherwise agreed by the Claimant and the Defendant), promptly and in no event later than ten Business Days after such Amount Payable is established in accordance with this Agreement.

(ii) If Buyer shall fail to pay any relevant Seller any Amount Payable by Buyer after such amount is established in accordance with this Agreement, then, subject to the limitations set forth in Section 8.4, each of the Designated Founders shall pay to the relevant Sellers in the aggregate fifty percent (50%) of such Amount Payable by Buyer (such amount to be converted to the currency in which the Buyer Ordinary Shares are denominated on the Business Day before the payment at the closing mid-point rate for conversion of that currency as set forth in the London edition of the Financial Times that Business Day) (each such amount, the ***"Amount Payable by Each Designated Founder"***) within ten Business Days after the expiration of the ten Business Days in which Buyer is required to make the payment on account thereof. Each Designated Founder shall have the option to pay any such Amount Payable by Each Designated Founder either (i) by wire transfer of funds in the currency determined pursuant to Section 8.6(d) or (ii) by executing a share transfer form issuing book entry transfer instructions to transfer to the relevant Sellers in the aggregate that number of Buyer Ordinary Shares that is equal to (x) that portion of the Amount Payable by Each Designated Founder that each such Designated Founder elects to pay in securities rather than money *divided by* (y) the Applicable Share Price (as defined below). Notwithstanding anything else to the contrary contained in this Agreement, the aggregate Amount Payable by Each Designated Founder shall not exceed, and neither Designated Founder shall be obligated to pay to the Sellers, whether in money or securities, more than an amount equal to the product of (i) fifty percent (50%) of the number of Buyer Ordinary Shares purchased by each such Designated Founder directly from Buyer prior to Buyer's initial public offering and (ii) the Applicable Share Price.

(d) *Payments of Amounts Payable by any Seller and the Opal Re Seller.*

(i) Subject to the limitations in Section 8.4, each Seller and the Opal Re Seller shall pay to Buyer any Amount Payable (such amount to be converted to the currency in which the Buyer Ordinary Shares are denominated on the Business Day before the payment at the closing mid-point rate for conversion of that currency as set forth in the London edition of the Financial Times that Business Day) by such Seller and the Opal Re Seller, promptly and in no event later than ten Business Days (the ***"Ten Day Period"***) after such Amount Payable is established in accordance with this Agreement, at the option of such Seller or the Opal Re Seller, either (i) by wire transfer of funds in the currency determined pursuant to this Section 8.6(d) or (ii) to the extent Claim Reimbursement Shares are available, by requesting that Buyer compulsorily redeem or relinquish the right to such number of Claim Reimbursement Shares held by it or to be issued to it that is equal to (x) that portion of the Amount Payable that remains payable *divided by* (y) the Applicable Share Price, as defined below. If such wire funds transfer is not received or the Seller or the Opal Re Seller fails to request Buyer to compulsorily redeem or require the relinquishment of the right to receive the applicable number of Claim Reimbursement Shares for redemption or relinquishment within the Ten Day Period then, notwithstanding the expiration of the provisions of Section 6.17, such number of Claim Reimbursement Shares that is equal to (x) that portion of the Amount Payable that remains payable *divided by* (y) the Applicable Share Price shall automatically be redeemed or relinquished on the next Business Day following the expiration of the Ten Day Period by operation of Article 8.4 of the amended and restated articles of association of Buyer which are attached as *Exhibit B* to this Agreement. For the avoidance of doubt, the Claim Reimbursement Shares used to pay any Amount Payable shall be derived pro rata from Issued Shares and Contingent Agreement Shares (with 1/3 of such Contingent Agreement Shares being those payable under Section 1.1(a) of the Contingent Consideration Agreement, 1/3 of such Contingent Agreement Shares being those payable under Section 1.1(b) of the Contingent Consideration Agreement and 1/3 of such Contingent Agreement Shares being those payable under Section 1.1(c) of the Contingent Consideration Agreement).

(ii) For purposes of this Section 8.6(d), the ***"Applicable Share Price"*** shall be an amount equal to the volume weighted average share price of Buyer Ordinary Shares for (A) the 30 day trading period following the public disclosure of the event giving rise to the Claim or (B) if no public disclosure of such event shall have been made, then the 30 day trading period following delivery of the applicable Notice of Claim.

(iii) In order to assist Buyer in the collection of any Amounts Payable which may be due from any Seller or the Opal Re Seller pursuant to this Section 8.6(d), fifty percent (50%) of the Class B Ordinary Shares included in the Claim Reimbursement Shares held by or to be issued to each Seller and the Opal Re Seller shall not be convertible into Buyer Ordinary Shares until the Claim Date, after which such Class B Ordinary Shares shall be convertible save for such number of Class B Ordinary Shares with an aggregate value (based on the Applicable Share Price) of any pending Claims made prior to the Claim Date; provided, that to the extent any Amount Payable shall have been paid in cash pursuant to paragraph (d)(i) above, then an amount of Class B Ordinary Shares equal in value to such paid Amount Payable at the Applicable Share Price may be converted into Buyer Ordinary Shares.

SECTION 8.7. *Additional Sellers.*

(a) For the purposes of Article VIII, in the case of Hugh Osmond, Seller shall also mean Friends Provident International Limited (Professional Portfolio 712132) and, in the case of Alan MacIntosh, Seller shall also mean Friends Provident International Limited (Professional Portfolio 712134).

(b) Subject to the terms of this Article VIII, for all purposes of the payment of any Claims asserted by Buyer under this Article VIII, the Opal Re Seller hereby agrees that all Class B Ordinary Shares and all Buyer Ordinary Shares issued or to be issued to the Opal Re Seller pursuant to the Opal Re Purchase Agreement (including all Contingent Agreement Shares issuable to the Opal Re Seller), subject to the provisions of section 8.4(a)(iv), shall be available to pay a pro-rata share of all Claims payable to Buyer under this Agreement.

SECTION 8.8. *Right to Claim Not Affected by Knowledge or Waiver.* The right to payment of Damages or other remedy based upon breach of warranties, covenants, agreements or obligations will not be affected by any investigation conducted with respect to, or knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such warranty, covenant, agreement or obligation other than as is disclosed in a Disclosure Statement.

SECTION 8.9. *No Other Warranties.*

(a) Except for the warranties contained in Articles III and IV of this Agreement, neither the Sellers, nor any other Person acting on behalf of the Sellers, has made or is making any warranty, express or implied, concerning the Transaction, the Purchased Shares or the business, operations, assets, liabilities, condition (financial or otherwise), prospects or any other aspect of the Acquired Companies.

(b) Except for the warranties contained in Article V of this Agreement, neither Buyer, nor any other Person acting on behalf of Buyer, has made or is making any or warranty, express or implied, concerning the Transaction, the Aggregate Purchase Price, or the business, operations, assets, liabilities, condition (financial or otherwise), prospects or any other aspect of Buyer.

ARTICLE IX

GENERAL PROVISIONS

SECTION 9.1. *Assignment.* No Party to this Agreement will convey, assign or otherwise transfer any of its rights or obligations under this Agreement or any other Transaction Document without the prior written consent of the Sellers (in the case of an assignment by Buyer) or of Buyer (in the case of an assignment by any Seller). Any conveyance, assignment or transfer requiring the prior written consent of the Sellers or Buyer which is made without such consent will be void *ab initio*. No assignment will relieve the assigning Party of its obligations hereunder or thereunder.

SECTION 9.2. *Parties in Interest.* This Agreement is binding upon and is for the benefit of the Parties hereto and their respective successors and permitted assigns. A party who is not a party to this Agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999.

SECTION 9.3. *Amendment.* This Agreement may not be amended, modified or supplemented except by a written agreement executed by Buyer and the Sellers (for itself or on behalf of any Seller). Following the Closing, any amendment, modification or supplement shall require the consent of Buyer Representative.

SECTION 9.4. *Waiver; Remedies.* No failure or delay on the part of Buyer or Buyer Representative, on the one hand, and any Seller, on the other hand, in exercising any right, power or privilege under this Agreement or any other Transaction Document will operate as a waiver thereof, nor will any waiver on the part of Buyer, Buyer Representative, any Seller of any right, power or privilege under this Agreement or any other Transaction Document operate as a waiver of any other right, power or privilege under this Agreement or any other Transaction Document, nor will any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege under this Agreement or any other Transaction Document. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies which the parties may otherwise have at law or in equity.

SECTION 9.5. *Fees and Expenses.* Each of the Sellers, on the one hand, and Buyer, on the other hand, will pay without right of reimbursement from the other all of their respective Transaction Expenses. The Sellers and the Buyer agree that any fees and other expenses or compensation incurred in connection with the Merrill Lynch Engagement Letter (as referred to in the Seller Disclosure Statement) shall be approved by the board of directors of Pearl Group Limited prior to settlement or payment.

SECTION 9.6. *Notices.* All notices, requests, claims, demands and other communications required or permitted to be given under any Transaction Document shall be in writing and shall be deemed effectively given (a) upon personal delivery to the Party to be notified, (b) when received when sent by e-mail or fax by

the Party to be notified; provided, however, that notices given by e-mail or fax shall not be effective unless either (i) a duplicate copy of such e-mail or fax notice is promptly given by one of the other methods described in this Section 9.6 or (ii) the receiving Party delivers a written confirmation of receipt for such notice either by e-mail, fax or any other method described in this Section 9.6, (c) one Business Day after deposit with a reputable overnight courier, prepaid for overnight delivery and addressed as set forth in this Section 9.6, provided that the sending Party receives a confirmation of delivery from the overnight courier service, or (d) three Business Days after deposit with the Royal Mail or other governmental postal service, postage prepaid, registered or certified with return receipt requested and addressed to the Party to be notified at the address indicated for such Party below, or at such other address as such Party may designate by 10 days' advance written notice to the other parties given in the foregoing manner:

(a) If to Buyer prior to Closing:	Liberty Acquisition Holdings (International) Company c/o Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands Telecopy: +1 345 949 8080 Telephone: +1 345 949 8066 Attention: Martin Franklin
with a copy to:	Greenberg Traurig, LLP Strawinskylaan 3127 1077 ZX Amsterdam The Netherlands Telecopy: +31 20 301 7350 Telephone: +31 20 301 7300 Attention: Bruce I. March
with an additional copy to:	Buyer Representative as set forth below
(b) If to any relevant Seller:	TDR Capital Nominees Limited 6 Chesterfield Gardens London W1J 5BQ Attention: Manjit Dale Telecopy: +44-207-399-4242 E-mail: manjit.dale@tdrcapital.com
with a copy to:	Hugh Osmond c/o Sun Capital Partners 3rd Floor 54 Baker Street London W1U 7BU Email: hugh.osmond@suncap.co.uk Alan McIntosh c/o Sun Capital Partners 3rd Floor 54 Baker Street London W1U 7BU Email: alan@suncap.co.uk

	Edward Hawkes c/o Sun Capital Partners 3rd Floor 54 Baker Street London W1U 7BU Email: edward@suncap.co.uk Matthew Allen c/o Sun Capital Partners 3rd Floor 54 Baker Street London W1U 7BU Email: matthew@suncap.co.uk Marc Jonas c/o Sun Capital Partners 3rd Floor 54 Baker Street London W1U 7BU Email: marc@suncap.co.uk
(c) If to Buyer after Closing or Buyer Representative:	Ian Ashken c/o Jarden Corporation 555 Theodore Fremd Avenue Rye, New York 10580 Telecopy: +1 914 967 9400 Telephone: +1 914 967 9405
with a copy to:	Greenberg Traurig, LLP Strawinskylaan 3127 1077 ZX Amsterdam The Netherlands Telecopy: +31 20 301 7350 Telephone: +31 20 301 7300 Attention: Bruce I. March

SECTION 9.7. *Entire Agreement.* This Agreement and the other Transaction Documents collectively constitute the entire agreement between the Parties with respect to the subject matter hereof. This Agreement and the other Transaction Documents supersede all prior negotiations, agreements and understandings of the Parties of any nature, whether oral or written, relating thereto.

SECTION 9.8. *Severability.* If any provision of this Agreement or any other Transaction Document or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions thereof, or the application of such provision to Persons or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

SECTION 9.9. *Arbitration.*

(a) All disputes arising in connection with this Agreement or any of the other Transaction Document or in connection with the Transaction will be finally settled by arbitration.

(b) The arbitration shall be conducted in accordance with the International Chamber of Commerce ***("ICC")*** arbitration rules as in effect on the date hereof (the ***"ICC Arbitration Rules"***).

(c) The arbitral tribunal shall consist of three (3) arbitrators. Each of Buyer Representative and the Sellers shall appoint one arbitrator, and the two arbitrators so appointed shall appoint the third arbitrator who shall serve as the chairman of the arbitral tribunal. If a Party fails to appoint its arbitrator within a period of fourteen (14) days after receiving notice of the arbitration, or if the two arbitrators appointed cannot agree on the third arbitrator within a period of fourteen (14) days after appointment of the second arbitrator, then such arbitrator shall be appointed pursuant to the procedures of the ICC. No arbitrator shall be a present or former employee or agent of, or consultant or counsel to, any party hereto or any Affiliate thereof or any applicable Governmental Entity.

(d) The arbitration shall be conducted in English and shall take place in London, England, or such other place as may be mutually agreed by the Parties. The Parties hereby agree that even if any or all arbitration hearings take place outside of England, the seat of the arbitration shall remain in London, England and the laws of England and Wales shall govern the procedure of the arbitration. All documents or evidence presented at such arbitration in a language other than in English shall be accompanied by a certified English translation thereof. The arbitrators shall decide the dispute by majority of the arbitral tribunal and shall state in writing the reasons for its decision. Any monetary award of the arbitral tribunal shall be denominated and payable in Euros and in immediately available funds.

(e) The Parties hereby waive any rights to appeal or to review of such award by any court or tribunal. The Parties further undertake to carry out without delay the provisions of any arbitral award or decision, and each agrees that any such award or decision may be enforced by any competent tribunal.

(f) The costs of such arbitration shall be determined by and allocated between the Parties by the arbitral tribunal in its award.

SECTION 9.10. *Exhibits and Schedules; Disclosure.*

(a) All Exhibits and Schedules attached hereto are hereby incorporated in and made a part of this Agreement as if set forth in full herein.

(b) The Sellers shall have the right, at any time through the Business Day prior to the Closing Date, to deliver to Buyer a supplement to the Seller Disclosure Statement and any Schedule hereto (the ***"Seller Schedule Supplement"***) and any documentation the Sellers believe appropriate (x) to amend the warranties in Section 4.6 to reflect the Company Reorganization, and (y) otherwise, containing any matters occurring after the date hereof which, if occurring prior to the date hereof, would have been required to be set forth or described in the Seller Disclosure Statement and/or such Schedules. For purposes of determining whether the condition set forth in Section 2.2(a) or any other condition to Closing has been satisfied, any Seller Schedule Supplement related to the warranties set forth in Section 4.6 as a result of the Company Reorganization will be taken into account, otherwise, the Seller Schedule Supplement will not be considered when determining whether the condition set forth in Section 2.2(a) or any other condition to Closing has been satisfied. The Seller Schedule Supplement will, however, for purposes of determining whether any Person is entitled to any amounts pursuant to Section 8.2, be deemed to amend the Seller Disclosure Statement and/or Schedules hereto to reflect the matters set forth in the Seller Schedule Supplement.

(c) Buyer shall have the right, at any time through the Business Day prior to the Closing Date, to deliver to the Sellers a supplement to the Buyer Disclosure Statement, any Schedule hereto (the ***"Buyer Schedule Supplement"***) and any documentation Buyer believes is appropriate containing any matters occurring after the date hereof which, if occurring prior to the date hereof, would have been required to be set forth or described in the Buyer Disclosure Statement and/or such Schedules. For purposes of determining whether the condition set forth in Section 2.3(a) or any other condition to Closing has been satisfied, any Buyer Schedule Supplement will not be considered when determining whether the condition set forth in Section 2.3(a) or any other condition to Closing has been satisfied. The Buyer Schedule Supplement will, however, for purposes of determining whether any Person is entitled to any amounts pursuant to Section 8.3, be deemed to amend the Buyer Disclosure Statement and/or Schedules hereto to reflect the matters set forth in the Buyer Schedule Supplement.

SECTION 9.11. *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of England and Wales.

SECTION 9.12. *Counterparts*. This Agreement may be executed by facsimile or portable document format (pdf) transmission in separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts will together constitute the same agreement.

SECTION 9.13. *Specific Performance*. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement or any other Transaction Document, the Party or Parties who are or are to be thereby aggrieved will have the right of specific performance and injunctive relief giving effect to its or their rights under such Transaction Document, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies will be cumulative. The Parties agree that any such breach or threatened breach would cause irreparable injury, that the remedies at law for any such breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived.

SECTION 9.14. *Buyer Representative*.

(a) Buyer hereby irrevocably makes, constitutes, and appoints Ian Ashken as the representative, agent and true and lawful attorney in fact of and for Buyer in connection with the Transaction Documents and the Transaction ***("Buyer Representative"),*** effective from and after the Closing Date. Buyer hereby authorizes and empowers Buyer Representative, from and after the Closing Date, to make or give any approval, waiver, amendment, request, consent, instruction or other communication on behalf of Buyer as Buyer could do for itself in relation to or in connection with any Claim. Buyer authorizes and empowers Buyer Representative, from and after the Closing Date, to receive all demands, notices or other communications directed to Buyer under any Transaction Document. Buyer authorizes and empowers Buyer Representative, from and after the Closing Date, to (i) take any action (or to determine to refrain from taking any action) with respect thereto as Buyer Representative may deem appropriate as effectively as if Buyer could do for itself (including the settlement or compromise of any dispute or controversy), which action will be binding on Buyer, in all cases only in relation to and in connection with a claim for breach by the Sellers of any of their warranties, covenants or agreements under this Agreement and (ii) execute and deliver all instruments and documents of every kind incident to the foregoing with the same effect as if Buyer had executed and delivered such instruments and documents personally. Accordingly, any demands, notices or other communications directed to Buyer hereunder shall be deemed effective if given to Buyer Representative. Buyer agrees to be bound by all actions and failures to act of Buyer Representative in accordance with the provisions of any Transaction Document, including in connection with any settlement or compromise entered into by Buyer Representative on behalf Buyer in relation to any claim for breach by the Sellers of any of their warranties, covenants or agreements under this Agreement.

(b) Upon the death, resignation or incapacity of Buyer Representative, or at any other time, a successor may be appointed by the individual who was President of Buyer immediately prior to the Closing, but such appointment will not be effective until such successor shall agree in writing to accept such appointment and notice of the selection of such successor Buyer Representative is provided to the Sellers. If a successor Buyer Representative is not appointed within thirty (30) days after the death, resignation or incapacity of Buyer Representative or because notice of the selection of a successor Buyer Representative has not been provided to the Sellers, each of the Parties will have a right to petition any court of competent jurisdiction for the appointment of a successor Buyer Representative. Notwithstanding the foregoing, the President of Buyer may, at any time prior to the Closing Date, designate a successor Buyer Representative, reasonably satisfactory to the Sellers.

(c) Buyer Representative shall have no Liability to Buyer for any action taken or omitted to be taken hereunder, unless such Liability is determined by a judgment or a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of Buyer Representative. Notwithstanding anything else herein to the contrary, Buyer shall defend, indemnify and hold harmless Buyer Representative from and against, and shall reimburse Buyer Representative for any and all Damages arising out of or in connection with, the performance by Buyer Representative of his duties and obligations pursuant to this Agreement unless

such Liability is determined by a judgment or a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of Buyer Representative.

(d) For the avoidance of doubt, the execution of this Agreement by Buyer in relation to the Buyer Representative and Section 9.14 shall hereby constitute a Deed and shall be deemed delivered as of the date of this Agreement.

(e) To the extent the Buyer Representative shall, in good faith and acting reasonably, incur any costs or expenses (including legal fees and expenses) in connection with his activities under this Agreement, including any claim for breach by the Sellers of any of their warranties, covenants or agreements under this Agreement, Buyer shall promptly pay all such costs and expenses.

(f) The Sellers acknowledge and agree to the provisions of this Section 9.14.

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IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the Parties as of the date first above written.

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

By: /s/ IAN ASHKEN
Name: **IAN ASHKEN**
Title: Buyer Representative

SUN CAPITAL PARTNERS:

MATTHEW ALLEN

/s/ EDWARD HAWKES (AS ATTORNEY)

EDWARD HAWKES

/s/ EDWARD HAWKES

MARC JONAS

/s/ EDWARD HAWKES (AS ATTORNEY)

HUGH OSMOND

/s/ EDWARD HAWKES (AS ATTORNEY)

WILLIAM ALAN MCINTOSH

/s/ EDWARD HAWKES (AS ATTORNEY)

XERCISE MIDCO LIMITED

By: /s/ EDWARD HAWKES (AS ATTORNEY)
Name: EDWARD HAWKES
Title: ATTORNEY

XERCISE LIMITED

By: /s/ EDWARD HAWKES (AS ATTORNEY)
Name: EDWARD HAWKES
Title: ATTORNEY

TDR CAPITAL NOMINEES LIMITED

By: /s/ BLAIR THOMPSON
Name: BLAIR THOMPSON
Title: DIRECTOR

JAMBRIGHT MIDCO LIMITED

By: /s/ BLAIR THOMPSON
Name: BLAIR THOMPSON
Title: DIRECTOR

JAMBRIGHT LIMITED

By: /s/ BLAIR THOMPSON
Name: BLAIR THOMPSON
Title: DIRECTOR

The Designated Founders are each party to this Agreement, which is executed as a Deed and delivered as of the date hereof by each of them, for the sole purpose of Section 8.6(c)(ii).

BERGGRUEN ACQUISITION HOLDINGS II LTD.

By: /s/ NICOLAS BERGGRUEN
Name: NICOLAS BERGGRUEN
Title: OFFICER

MARLIN EQUITIES IV, LLC

By: /s/ IAN ASHKEN
Name: IAN ASHKEN
Title: OFFICER

The Opal Re Seller is a party to this Agreement, which is executed as a Deed and delivered as of the date hereof by it, for the purpose articulated in Article VIII.

O-RE HOLDINGS UK LIMITED

By: /s/ EDWARD HAWKES (AS ATTORNEY)
Name: EDWARD HAWKES
Title: ATTORNEY

O-RE HOLDINGS (NETHERLANDS) B.V.

By: /s/ EDWARD HAWKES (AS ATTORNEY)
Name: EDWARD HAWKES
Title: (ATTORNEY)

Definitions

1.1 *Defined Terms.* The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and the plural forms of the terms defined):

"Accounts" means the consolidated annual accounts (within the meaning of section 262(1) Companies Act 1985 or 471(1) Companies Act 2006, as the case may be for the relevant financial year) of each of (i) Pearl Group Limited for the financial years ended 31 December 2006, 2007 and 2008 and (ii) Pearl Group Holdings (1) Limited for the financial years ended 31 December 2007 and 2008 together in each case with the notes, directors' and auditors' reports and all other statements incorporated in or annexed to them.

"Acquired Companies" means the Parents and each of the other entities set forth on *Schedule A*.

"Acquired Companies' Accounts" means the annual accounts of the Acquired Companies (within the meaning of Section 262(1) Companies Act 1985 or 471(1) Companies Act 2006 as applicable) for the financial year ended December 31, 2008, together in each case with the notes, directors' and auditors' reports and all other statements incorporated in or annexed to them.

"Action" means any legal, administrative, governmental or regulatory proceeding or other action, suit, proceeding, claim, arbitration, mediation, alternative dispute resolution procedure, inquiry or investigation by or before any arbitrator, mediator, court or other Governmental Entity.

"Affiliate" means with respect to a specified Person, any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified. For purposes of this definition, ***"control"*** of a Person will mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by Contract or otherwise. Notwithstanding the foregoing, each of the Parties agrees that Liberty Acquisition Holdings Corp., a Delaware corporation, shall not be deemed to be an Affiliate of Buyer for purposes of this Agreement, the other Transaction Documents or the Transaction.

"AFM" means the Netherlands Authority for the Financial Markets, which is the Dutch competent authority for the purpose of implementing relevant measures under Directive 2003/71/EC in the Netherlands.

"Aggregate Purchase Price" has the meaning set forth in Section 2.1(c).

"Agreement" means this Purchase Agreement, as the same may be amended, modified or supplemented from time to time in accordance with its terms.

"Allen" has the meaning set forth in the preamble to this Agreement.

"Amount Payable" means any amount of a Claim Amount which has become payable in accordance with Article VIII, having regard to the limitations on Liability set out in Article VIII.

"Amount Payable by Each Designated Founder" has the meaning set forth in Section 8.6(c)(ii).

"Applicable Share Price" has the meaning set forth in Section 8.6(d)(ii).

"Available Cash" has the meaning set forth in Section 5.21(b).

"Berggruen" has the meaning set forth in the preamble to this Agreement.

"Business" means the business and operations of the Acquired Companies as conducted on the date hereof.

"Business Day" means a day on which banks and stock exchanges are open for business in London (excluding Saturdays, Sundays and public holidays).

"Business Intellectual Property" means intellectual property, trademarks, service marks, trade names, know-how, trade secrets, copyrights and similar intellectual property rights used or required to conduct the Business in the Ordinary Course of Business.

"Buyer" has the meaning set forth in the preamble of this Agreement.

"Buyer Audited Financial Statements" has the meaning set forth in Section 5.8(a).

"Buyer AFM Reports" has the meaning set forth in Section 5.19(a).

"Buyer Competing Transaction" has the meaning set forth in Section 6.18(b).

"Buyer Designated Warranties" means each of the following warranties: (i) the first two sentences of Section 5.1(a); (ii) Section 5.2; (iii) Section 5.3 and (v) Section 5.7.

"Buyer Disclosure Statement" means the Buyer Disclosure Statement dated as of the date hereof as it may be amended or supplemented pursuant to Section 9.10(c).

"Buyer Insurance Policies" has the meaning set forth in Section 5.18(a).

"Buyer Material Adverse Effect" means any fact, circumstance, change or effect that, individually or when taken together with all other such facts, circumstances, changes or effects that exist at the date of determination of the occurrence of the Buyer Material Adverse Effect, has or is reasonably likely to have a material adverse effect on (x) the ability of Buyer to perform any material obligations under any of the Transaction Documents or (y) the ability of Buyer to consummate the Transaction in accordance with the Transaction Documents or (z) the business, operations, financial condition or results of operations of Buyer; provided, however, that no facts, circumstances, changes or effects (by themselves or when aggregated with any other facts, circumstances, changes or effects) resulting from, relating, to or arising out of the following shall be deemed to be or constitute a Buyer Material Adverse Effect, and no facts, circumstances, changes or effects resulting from, relating to or arising out of the following (by themselves or when aggregated with any other facts, circumstances, changes or effects) shall be taken into account when determining whether a Buyer Material Adverse Effect has occurred or may, would or could occur: (i) economic, financial or political conditions in any jurisdiction in which Buyer has substantial business or operations, and any changes therein (including any changes arising out of acts of terrorism, war, weather conditions or other force majeure events), to the extent that such conditions do not have a disproportionate impact on Buyer; (ii) conditions in the financial markets, and any changes therein (including any changes arising out of acts of terrorism, weather conditions or other force majeure events), to the extent that such conditions do not have a disproportionate impact on Buyer; (iii) the announcement or pendency of this Agreement and the Transaction; (iv) changes in Law or IFRS (or any interpretations of IFRS) applicable to Buyer; or (v) compliance by Buyer with the express terms of this Agreement or the failure by Buyer to take any action that is prohibited by this Agreement. A Buyer Material Adverse Effect shall also include the Buyer Ordinary Shares ceasing to be admitted to listing on the NYSE Euronext.

"Buyer Material Contracts" has the meaning set forth in Section 5.12(a).

"Buyer Ordinary Shares" means the ordinary shares of Buyer with nominal value of €0.0001 per share.

"Buyer Permits" has the meaning set forth in Section 5.16.

"Buyer Representative" has the meaning set forth in Section 9.14(a).

"Buyer Schedule Supplement" has the meaning set forth in Section 9.10(c).

"Buyer Shareholders" means holders of Buyer Ordinary Shares.

"Buyer Shareholders' Meeting" has the meaning set forth in Section 6.2(e).

"Buyer Tax Returns" has the meaning set forth in Section 5.10(a).

"Buyer Warrants" means warrants to purchase Buyer Ordinary Shares issued by Buyer.

"Claim" means a written notice asserting a breach of warranty, covenant, agreement or other obligation contained in this Agreement or in any other Transaction Document or any claim for indemnification or tax gross up pursuant to this Agreement.

"Claimant" has the meaning set forth in Section 8.5(f).

"Claim Amount" means the amount of Damages claimed in any Notice of Claim, which amount, if not finally determined, may be a good faith estimate of the Damages that may be awarded to, or receivable by, a Claimant pursuant to such Claim.

"Claim Date" has the meaning set forth in Section 8.1.

"Claim Reimbursement Shares" means the Issued Shares, the Class B Ordinary Shares issued pursuant to the Opal Re Purchase Agreement and the Buyer Ordinary Shares issued pursuant to the Contingent Consideration Agreement.

"Claim Threshold" has the meaning set forth in Section 8.4(a)(iii)(C).

"Class B Ordinary Shares" means the newly created Class B Ordinary Shares of Buyer with nominal value of €0.0001 per share.

"Closing" has the meaning set forth in Section 2.4(a).

"Closing Date" means the date and time when the Closing occurs.

"Code" means the Internal Revenue Code of the United States, as amended.

"Company Insurance Policies" has the meaning set forth in Section 4.18(a).

"Company Leased Premises" has the meaning set forth in Section 4.11(c).

"Company Material Contracts" has the meaning set forth in Section 4.12(a).

"Company Permits" has the meaning set forth in Section 4.16.

"Company Plans" has the meaning set forth in Section 4.17(b).

"Company Premises" has the meaning set forth in Section 4.11(c).

"Company Reorganization" means the reorganization of the Acquired Companies and their Affiliates described in *Schedule 2.2(j)* hereto.

"Company Tax Returns" has the meaning set forth in Section 4.9(a).

"Consents" means all consents, waivers, approvals, requirements, allowances, novations, authorizations, declarations, filings, registrations and notifications.

"Contract" means, with respect to any Person, all agreements, contracts, obligations, commitments and arrangements (whether written or oral) (i) to which such Person is a party, (ii) under which such Person has any rights, (iii) under which such Person has any Liability, or (iv) by which such Person, or any of the assets or properties owned or used by such Person, is bound, including, in each case, all amendments, modifications and supplements thereto.

"Contingent Agreement Shares" means all Buyer Ordinary Shares or Class B Ordinary Shares issued pursuant to the Contingent Consideration Agreement.

"Contingent Consideration Agreement" means the contingent consideration agreement, dated the date hereof, between the Sellers (other than Hugh Osmond and Alan MacIntosh), Friends Provident International Limited and Liberty.

"Damages" means all losses, Liabilities, claims, damages, deficiencies, obligations, fines, payments (including incidental and consequential damages), expenses (including reasonable costs of investigation

and defense and reasonable fees and expenses of legal counsel, accountants and other professional advisors), actions, causes of action, assessments, judgments, amounts paid in settlement or diminutions in value, whether or not involving a Third-Party Claim.

"DC Schemes" has the meaning set forth in Section 4.23(a).

"Debt Restructuring" has the meaning set forth in Section 2.2(i).

"December 2008 Balance Sheet" has the meaning set forth in Section 5.8(b)

"Defendant" has the meaning set forth in Section 8.5(f).

"Designated Founders" has the meaning set forth in the preamble to this Agreement.

"Developed Software" has the meaning set forth in Section 4.21(d).

"Disclosure Statements" means the Seller Disclosure Statement and Buyer Disclosure Statement.

"Employment Related Securities" means employment-related securities (as defined in section 421B(8) ITEPA) or securities options (as defined in Section 471 ITEPA) acquired since April 15, 2003 in relation to which any Acquired Company is, has been or will be the employer (as defined in section 421B(8) ITEPA) and which, as at the date hereof, are held by any current, former or prospective employee, director or officer of an Acquired Company.

"Environmental Laws" means any and all applicable Laws and Permits issued, promulgated or entered into by any Governmental Entity relating to the environment, the protection or preservation of human health or safety, including the health and safety of employees, the preservation or reclamation of natural resources, or the treatment, storage, disposal, management, Release or threatened Release of Hazardous Materials, in each case as in effect on the date hereof and as may be issued, promulgated or amended from time to time.

"Equity Securities" means, with respect to any Person, any of its shares, capital stock, partnership interests (general or limited), limited liability company interests, trust interests or other securities which entitle the holder thereof to participate in the earnings of such Person or to receive dividends or distributions on liquidation, winding up or dissolution of such Person, or to vote for the election of directors or other management of such Person, or to exercise other rights generally afforded to stockholders of a corporation.

"Fairly Disclosed" shall mean a matter disclosed, only to the extent that accurate information is provided about that matter and in sufficient detail to reasonably identify the nature and scope of the matter and any matter so disclosed for the purposes of any warranty shall be deemed disclosed for any other warranties to the extent that the applicability of such disclosure is reasonably apparent.

"Final Order" means a final order of a court of competent jurisdiction, (i) from which there is no right of appeal to a higher court, or (ii) with respect to which either (A) all applicable time periods during which an appeal may be made have expired or (B) a period of six months has elapsed from the date on which the order which would otherwise be the subject of the appeal was issued and no appeal has been taken, whichever is the earliest to occur.

"Financial Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(i) the principal of, interest on and premium (if any) in respect of indebtedness of such Person for borrowed money;

(ii) the principal of, interest on and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; and

(iii) the principal component of all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including reimbursement obligations with respect

thereto except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 90 days of incurrence).

"Financial Supervision Act" has the meaning given to such term in Section 5.19(a).

"FSA" means the Financial Services Authority.

"FSMA" means the Financial Services and Markets Act 2000.

"Full Title Guarantee" has the meaning given to such term in the Law of Property (Miscellaneous Provisions) Act 1994.

"Governmental Entity" means, in any jurisdiction, any (i) federal, state, local, foreign or international government, (ii) court, arbitral or other tribunal, (iii) governmental or quasi-governmental authority of any nature (including any political subdivision, instrumentality, branch, department, official or entity), or (iv) agency, commission, authority or body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

"Hawkes" has the meaning set forth in the preamble to this Agreement.

"Hazardous Materials" means those materials, substances, biogenic materials or wastes that are regulated by, or form the basis of Liability under, any Environmental Law, including PCBs, pollutants, solid wastes, explosive, radioactive or regulated materials or substances, hazardous or toxic materials, substances, wastes or chemicals, petroleum (including crude oil or any fraction thereof) or petroleum distillates, asbestos or asbestos containing materials.

"Hedging Obligations" means, with respect to any Person, (i) any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary and (ii) any foreign exchange contract, currency swap agreement, futures contract, option contract or other similar agreement as to which such Person is a party or a beneficiary.

"HIOL" means Hera Investments One Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 5282338.

"HIOL Shares" has the meaning set forth in the preliminary statements of this Agreement.

"ICC" has the meaning set forth in Section 9.9(b).

"ICC Arbitration Rules" has the meaning set forth in Section 9.9(b).

"ICTA" means the Income and Corporation Taxes Act 1988.

"IFRS" means International Financial Reporting Standards as adopted by the European Union.

"IM Agreement" has the meaning set forth in Section 5.21(a).

"Implementation Agreement" means that certain Implementation Agreement, dated the date hereof, among Buyer, the Sellers, the finance parties thereto and the other parties thereto.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(i) Financial Indebtedness;

(ii) capitalized lease obligations of such Person;

(iii) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables);

(iv) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any preferred stock;

(v) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however,* that the amount of such Indebtedness will be the lesser of (A) the fair market value of such asset at such date of determination and (B) the amount of such Indebtedness of such other Persons;

(vi) the principal component of Indebtedness of other Persons to the extent guaranteed by such Person;

(vii) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time); and

(viii) The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum Liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

In addition, "Indebtedness" of any Person includes Indebtedness described in the preceding paragraph that would not appear as a Liability on the balance sheet of such Person if:

(i) such Indebtedness is the obligation of a partnership or joint venture (a ***"Joint Venture"***) for which such Person is a general partner of the Joint Venture (a ***"General Partner"***); and

(ii) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person; and then such Indebtedness shall be included in an amount not to exceed:

(A) the lesser of (x) the net assets of the General Partner and (y) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person; or

(B) if less than the amount determined pursuant to clause (A) immediately above, the actual amount of such Indebtedness that is recourse to such Person, if the Indebtedness is evidenced by a writing and is for a determinable amount.

Notwithstanding the foregoing, "Indebtedness" does not include:

(i) contingent obligations incurred in the Ordinary Course of Business and not in respect of borrowed money;

(ii) deferred or prepaid revenues;

(iii) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the respective seller;

(iv) any obligations to make progress or incentive payments or risk money payments under any contract to the extent not overdue by more than 90 days;

(v) advance payments by customers in the Ordinary Course of Business for services or products to be provided or delivered in the future; or

(vi) deferred Taxes.

"Investment" of a Person means (i) any loan, advance (other than commission, travel and similar advances to officers and employees made in the Ordinary Course of Business), extension of credit (other than accounts receivable arising in the Ordinary Course of Business on terms customary in the trade and loans to employees in the ordinary course of business) or contribution of capital by such Person, (ii) equity securities owned by such Person, (iii) any deposit accounts and certificates of deposit owned by such Person, and (iv) structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

"Investment Business" means (i) the effecting and carrying out of contracts of insurance and all asset and liability management activities related thereto and (ii) management of investments on behalf of third parties.

"Investment Interest" means any interest right or title in any asset (a) held in the long term fund or in the shareholders fund of any Acquired Company which is an authorized insurance company or otherwise held in respect of such company's insurance liabilities or (b) arising in the case of any Acquired Company which carries out investment management activities, in the ordinary course of its activities as nominee or investment manager.

"Issued Shares" has the meaning set forth in Section 2.1(c).

"ITEPA" means the Income Tax (Earnings and Pensions) Act 2003.

"Jambright" has the meaning set forth in the preamble to this Agreement.

"Jambright MC" has the meaning set forth in the preamble to this Agreement.

"Jonas" has the meaning set forth in the preamble to this Agreement.

"Knowledge" means (i) with respect to the Sellers, the actual knowledge of each of the Sellers after having made diligent inquiry of each of the Persons set forth on *Schedule B-1* (based upon the actual knowledge of the Persons set forth on *Schedule B-1*); and (ii) with respect to Buyer, the knowledge of each of the Persons set forth on *Schedule B-2* (A) if any of them is actually aware of such fact or other matter or (B) if any of them could be expected to discover or otherwise become aware of such fact or other matter through the diligent exercise of their duties as officers, directors and employees of Buyer.

"Laws" means all laws, principles of common law, statutes, constitutions, treaties, rules, regulations, ordinances, codes, rulings, Orders, Licenses and determinations of all Governmental Entities.

"Lease" means any lease, sublease, license, right to occupy or use and other Contracts with respect to real property, including, in each case, all amendments, modifications and supplements thereto and waivers and consents thereunder.

"Liability" means any and all claims, debts, liabilities, obligations and commitments of whatever nature, whether known or unknown, asserted or unasserted, fixed, absolute or contingent, matured or unmatured, accrued or unaccrued, liquidated or unliquidated or due or to become due, and whenever or however arising (including those arising out of any Contract or tort, whether based on negligence, strict liability or otherwise) and whether or not the same would be required by UK GAAP (in the case of Acquired Companies) or IFRS (in the case of Buyer) to be reflected as a Liability in financial statements or disclosed in the notes thereto.

"Licenses" means all Consents, licenses, permits, certificates, variances, exemptions, franchises and other approvals or authorizations issued, granted, given, required or otherwise made available by any Governmental Entity.

"Lien" means any charge, adverse claim, or other claim, community property interest, condition, equitable interest, lien, encumbrance, option, proxy, pledge, security interest, mortgage, right of first refusal, right of first offer, third party rights, retention of title agreement, defect of title or other restriction of any kind or nature, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership or any other encumbrance or security interest of any kind (including any liability imposed or right conferred by or under any Law) or any other type of preferential arrangement (including a title transfer or retention arrangement).

"Management Accounts" means the unaudited management information pack for the period ended April, 2009 in relation to Pearl Group Limited and its Subsidiaries, prepared on the same basis as equivalent previous management information packs.

"Mandatory Redemption" means the mandatory redemption by the Company of 41,468,200 Buyer Warrants in exchange for 4 million issued and fully paid Buyer Ordinary Shares immediately following the Closing.

"Marlin" has the meaning set forth in the preamble to this Agreement.

"Material Contract" means:

(i) with respect to any of the Acquired Companies (other than (A) insofar as it relates to their Investment Interests, and (B) Contracts solely between or among Acquired Companies):

(a) all Contracts for the lease (whether as lessor or lessee) of personal property to or from the Acquired Companies which provide for lease payments in excess of €5,000,000 during any year;

(b) all Contracts for the purchase or sale of property, or for the furnishing or receipt of services, including customer, supply or consulting Contracts, which provide for payments to or from the Acquired Companies of during the current financial year or is likely to be €5,000,000 or more during any future financial year;

(c) all Contracts concerning a partnership, joint venture, joint development or other cooperation arrangement currently valued in excess of €10,000,000;

(d) all Contracts with any Governmental Entity with a value in excess of €5,000,000;

(e) all Contracts relating to or evidencing Indebtedness of the Acquired Companies in excess of €20,000,000 (or the creation, incurrence, assumption, securing or guarantee thereof);

(f) all Contracts that create, establish or define the terms and conditions of, govern the transfer, voting, economic or other rights of holders of, or otherwise relate to Equity Securities issued by any of the Acquired Companies, other than the Organizational Documents of the Acquired Companies;

(g) all Contracts under which (A) any Person has directly or indirectly guaranteed any Liabilities of the Acquired Companies in excess of €5,000,000 or (B) the Acquired Companies have directly or indirectly guaranteed any Liabilities of any Person (in each case other than endorsements for the purpose of collection in the Ordinary Course of Business) in excess of €5,000,000;

(h) all Contracts under which the Acquired Companies have directly or indirectly made any advance, loan, extension of credit or capital contribution in excess of €5,000,000 to, or other Investment of over €5,000,000 in, any Person, including employees, or which involve a sharing of profits, losses, costs or Liabilities in excess of €5,000,000 by the Acquired Companies with any other Person;

(i) all Contracts providing for or granting a Lien upon any assets or properties of the Acquired Companies having a fair market value in excess of €20,000,000;

(j) all Contracts (A) providing for indemnification of any Person with respect to Liabilities relating to any current business of the Acquired Companies or any predecessor Person (other than customary indemnification provisions contained in Contracts with customers or suppliers in the Ordinary Course of Business) or (B) providing for the purchase or sale of any business, corporation, partnership, joint venture, association or other business organization or any division, material assets, operating unit or product line thereof and under which any of the Acquired Companies retains current or potential liabilities to any other Person in excess of €5,000,000;

(k) all Contracts which (A) provide for the payment of performance, management or transaction fees to any of the Acquired Companies for investment management services provided to investment funds and managed accounts managed by any of the Acquired

Companies and (B) resulted in payments of such fees to the Acquired Companies, in respect of any such Contract, in excess of €1,000,000 in the aggregate during the 12 month period ended December 31, 2008;

(m) all Contracts which limit or purport to limit the ability of any of the Acquired Companies to compete in any line of business or with any Person or in any geographic area or which limit or purport to limit or restrict the ability of any of the Acquired Companies with respect to the development, marketing, sale or distribution of, or other rights with respect to, any products or services;

(n) all Contracts containing any restrictions with respect to payment of dividends or any other distributions in respect of the capital stock or Equity Securities of the Acquired Companies;

(o) the leases for the Company Leased Premises referred to in *Schedule 4.11(c)* where the annual rental payments due with respect to such lease are in excess of €500,000;

(p) all Contracts with the individuals listed on *Schedule 4.17(j)*; and

(q) all Contracts under which an Acquired Company obtains reinsurance from any Person where ceded reserves are in excess of €25,000,000 (and, for the avoidance doubt, none of clauses (a) to (p) above shall apply to reinsurance).

(ii) with respect to Buyer (other than the Opal Re Purchase Agreement and the documents and agreements under the Debt Restructuring):

(a) any "material contact" as such term is defined by AFM and the Trust Account Documents;

(b) all Contracts for the lease (whether as lessor or lessee) of personal property to or from Buyer which provide for lease payments in excess of €50,000 during any year;

(c) all Contracts for the purchase or sale of property, or for the furnishing or receipt of services, including customer, supply or consulting Contracts, which provide for payments to or from Buyer of €50,000 during any year or more;

(d) all Contracts concerning a partnership, joint venture, joint development or other cooperation arrangement;

(e) all Contracts with any Governmental Entity;

(f) all Contracts relating to or evidencing Indebtedness of Buyer (or the creation, incurrence, assumption, securing or guarantee thereof);

(g) all Contracts that create, establish or define the terms and conditions of, govern the transfer, voting, economic or other rights of holders of, or otherwise relate to Equity Securities issued by Buyer, including the Organizational Documents of Buyer;

(h) all Contracts under which (A) any Person has directly or indirectly guaranteed any Liabilities of Buyer or (B) Buyer has directly or indirectly guaranteed any Liabilities of any Person (in each case other than endorsements for the purpose of collection in the ordinary course of business);

(i) all Contracts under which Buyer has directly or indirectly made any advance, loan, extension of credit or capital contribution to, or other Investment in, any Person, including employees, or which involve a sharing of profits, losses, costs or Liabilities by Buyer with any other Person;

(j) all Contracts providing for or granting a Lien upon any assets or properties of Buyer;

(k) all Contracts providing for indemnification of any Person with respect to Liabilities relating to any current or former business of Buyer or any predecessor Person (other than customary indemnification provisions contained in Contracts with customers or suppliers that are disclosed under clause (c) above);

(l) all Contracts providing for or containing confidentiality and non-disclosure obligations (other than (A) standard non-disclosure forms signed by employees generally, copies of which have been provided to Buyer and (B) customary confidentiality or non-disclosure provisions contained in Contracts with customers or suppliers that are disclosed under clause (c) above);

(m) all Contracts for the purchase or sale of any business, corporation, partnership, joint venture, association or other business organization or any division, material assets, operating unit or product line thereof;

(n) all Contracts which limit or purport to limit the ability of any of Buyer to compete in any line of business or with any Person or in any geographic area or which limit or purport to limit or restrict the ability of any of Buyer with respect to the development, marketing, sale or distribution of, or other rights with respect to, any products or services;

(o) all Contracts containing any restrictions with respect to payment of dividends or any other distributions in respect of the capital stock or Equity Securities of Buyer; and

(p) all Contracts which are otherwise material to Buyer which are not described in any of the categories specified above.

"McIntosh" has the meaning set forth in the preamble to this Agreement.

"No Threshold Claims" has the meaning set forth in Section 8.4(a)(iii)(C).

"Notice of Claim" means a written notice of a Claim pursuant to this Agreement that (i) sets forth in reasonable detail (to the extent reasonably practicable) the basis for such Claim, (ii) sets forth the Claim Amount (to the extent reasonably able to be calculated at such time), and (iii) sets forth the name of any Person against whom the Claim is being made.

"Notice of TC1 Meeting" means the notice of shareholders meeting or written resolution, in form and substance satisfactory to Buyer, to be delivered to the shareholders of TC1 in connection with the TC1 Rights Offer.

"Notice of TC2 Meeting" means the notice of shareholders meeting or written resolution, in form and substance satisfactory to Buyer, to be delivered to the shareholders of TC2 in connection with the TC2 Rights Offer.

"Off Balance Sheet Arrangement" means any transaction, agreement or other contractual arrangement which is not already reflected in the Accounts and/or the Management Accounts to which an entity unconsolidated with either of Pearl Group Limited or Pearl Group Holdings (1) Limited is a party, under which any Acquired Company has: (a) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets; (b) any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument, except that it is both indexed to an Acquired Company's own stock and classified in stockholders' equity in the Acquired Company's Accounts; or (c) any obligation, including a contingent obligation in an unconsolidated entity that is held by, and material to, an Acquired Company, where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with, any Acquired Company.

"Offering Circular" means Buyer's offering circular dated January 25, 2008, as supplemented.

"Opal Re" means Opal Reassurance Limited, an exempted company incorporated in Bermuda.

"Opal Re Purchase Agreement" means the Purchase Agreement, dated the date hereof, among Buyer, and the Opal Re Seller, relating to the acquisition by Buyer of all of the outstanding Equity Securities of Opal Re.

"Opal Re Seller" has the meaning set forth in the preamble to this Agreement.

"Order" means any award, decision, stipulation, injunction, judgment, order, ruling, subpoena, writ, decree or verdict entered, issued, made, or rendered by any Governmental Entity.

"Ordinary Course of Business" means any action taken by a Person that is: (i) consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person or (ii) similar in nature and magnitude to actions customarily taken in the ordinary course of the normal day-to-day operations of the other Persons that are in the same line of business as such Person.

"Organizational Documents" means, with respect to any Person, its certificate or articles of incorporation, its by-laws, its memorandum and articles of association, its limited liability company agreement or operating agreement, its certificate of formation, its partnership or limited partnership agreement, its trust indenture or agreement or other documentation governing the organization or formation of such Person, but not any shareholder, registration rights, subscription or other Contract to which such Person may become a party after its formation or organization.

"Osmond" has the meaning set forth in the preamble to this Agreement.

"Other Filings" has the meaning set forth in Section 6.2(b).

"Owned Real Property" has the meaning set forth in Section 4.11(b).

"Parents" means SCIL, HIOL, TC1 and TC2.

"Parties" means each of the parties to this Agreement.

"Payment" has the meaning set forth in Section 8.4(a)(v).

"Pension Reorganization" has the meaning set forth in Section 2.2(n).

"Pension Scheme" has the meaning set forth in Section 4.23(a).

"Permits" means all Consents, licenses, permits, certificates, variances, exemptions, franchises and other approvals, in each case issued, granted, given, required or otherwise made available by any Governmental Entity.

"Permitted Liens" means, with respect to any Person, Liens for (i) Taxes, assessments and other governmental charges, if such Taxes, assessments or charges shall not be due and payable or which the Person is contesting in good faith and for which adequate reserves have been established and (ii) inchoate workmen's, repairmen's or other similar Liens arising or incurred in the Ordinary Course of Business consistent with past practices in respect of obligations which are not overdue, minor title defects and recorded easements, which workmen's, repairmen's or other similar Liens, minor title defects and recorded easements do not, individually or in the aggregate, impair the continued use, occupancy, value or marketability of title of the property to which they relate or the Business, assuming that the property is used on substantially the same basis as such property is currently being used by the Acquired Companies.

"Permitted Transfer Restrictions" means restrictions on transfer of Equity Securities or other securities under (i) the United States Securities Act of 1933, FSMA and any other Law that may apply to a transfer of securities contemplated by this Agreement and (ii) the Organizational Documents of the Acquired Companies and Buyer.

"Person" means any individual, sole proprietorship, firm, corporation (including any non-profit corporation and public benefit corporation), general or limited partnership, limited liability partnership, joint venture, limited liability company, estate, trust, association, organization, labor union, institution, entity or Governmental Entity, including any successor (by merger or otherwise) of such entity.

"Plan" means, with respect to any current, former or prospective employee, director, officer or consultant of any Acquired Company, each pension, retirement, savings, money purchase, profit sharing, deferred compensation, medical, vision, dental, hospitalization, prescription drug and other health plan, cafeteria, flexible benefits, short-term and long-term disability, accident and life insurance plan, bonus, stock option, stock purchase, stock appreciation, phantom stock, incentive and special compensation, trust (including but not limited to any employee benefit, dependent, sub or investment trust), and other plan and each other employee or fringe benefit plan or program to which any of the Acquired Companies contributes or is required to contribute or has any Liability, or which any of the Acquired Companies sponsors, maintains or administers or which is otherwise applicable to any current, former or prospective employee, director, officer or consultant of any Acquired Company, whether written or oral and whether direct or indirect.

"Proxy Confirmation" has the meaning set forth in Section 6.2(h).

"Proxy Statement" means the proxy statement Buyer sends to the Buyer Shareholders for purposes of soliciting proxies for the Buyer Shareholders' Meeting, as provided in Section 6.2(h).

"Purchased Shares" has the meaning set forth in the preliminary statements of this Agreement.

"Recipient" has the meaning set forth in Section 8.4(a)(v).

"Regulator" means any competent authority or Governmental Entity in any jurisdiction that has a function equivalent to that of the FSA within the United Kingdom, including but not limited to, such regulatory body in each of the Republic of Ireland, the Isle of Man, Guernsey, Bermuda and Hong Kong.

"Related Party Arrangements" has the meaning set forth in Section 2.2(q).

"Release" means a release into the environment.

"Relevant Employee" has the meaning set forth in Section 4.23(a).

"Representatives" means, with respect to any Person, such Person's Affiliates, directors, officers, employees, agents, consultants, advisors and other representatives, including legal counsel, accountants and financial advisors.

"Requisite Shareholder Approval" means the approval of the Transaction and all other matters submitted to the Buyer Shareholders in the Proxy Statement by the Buyer Shareholders holding the number of Buyer Ordinary Shares required under applicable Law and Buyer's Organizational Documents to authorize and approve such matters; provided that Buyer Shareholders holding less than 30.00% of the Buyer Ordinary Shares that were issued in Buyer's initial public offering vote against the Transaction and elect redemption of their shares.

"Resolution Scheme" has the meaning set forth in Section 4.23(a).

"Restricted Parties" has the meaning set forth in Section 6.6(a).

"Restricted Period" has the meaning set forth in Section 6.6(a).

"Restricted Securities" means Employment Related Securities which are restricted securities as defined in Section 423 ITEPA.

"Rights Offer" means, collectively, the TC1 Rights Offer and the TC2 Rights Offer.

"Rights Offer Documents" means (i) the Subscription Agreement, (ii) the TC1 Rights Offer Circular, (iii) the TC2 Rights Offer Circular, (iv) the Notice of TC1 Meeting, (v) the Notice of TC2 Meeting, (vi) the TC1 Form of Subscription, (vii) the TC2 Form of Subscription and (viii) such other documents as may be necessary to consummate the Rights Offer.

"Royal London" means The Royal London Mutual Insurance Society Limited

"Royal London Settlement Deed '" means the deed between, inter alia, Impala Holdings Limited, Pearl Group Limited, Royal London Phoenix Life Limited and Pearl Life Holdings Limited for the settlement of certain liabilities dated on or about the date hereof.

"Royal London TC1 Shares" means the Equity Securities of TC1 owned by Royal London.

"Royal London TC2 Shares" means the Equity Securities of TC2 owned by Royal London.

"Saving" has the meaning set forth in Section 8.4(a)(v).

"SCIL" means Sun Capital Investments Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 5257400.

"SCIL Shares" has the meaning set forth in the preliminary statements of this Agreement.

"Seller Competing Transaction" has the meaning set forth in Section 6.18(a).

"Seller Designated Warranties" means each of the following warranties: (i) Section 3.1; (ii) Section 3.3 and (iv) the first two sentences of Section 4.1(a).

"Seller Disclosure Statement" means the Seller Disclosure Statement dated as of the date hereof as it may be amended or supplemented pursuant to Section 9.10(b).

"Seller Material Adverse Effect" means any fact, circumstance, change or effect that, individually or when taken together with all other such facts, circumstances, changes or effects that exist at the date of determination of the occurrence of the Seller Material Adverse Effect, has or is reasonably likely to have a material adverse effect on (x) the ability of the Sellers to perform any material obligations under any of the Transaction Documents or (y) the ability of the Sellers to consummate the Transaction in accordance with the Transaction Documents or (z) the business, operations, financial condition or results of operations of the Acquired Companies, taken as a whole; *provided, however*, that no facts, circumstances, changes or effects (by themselves or when aggregated with any other facts, circumstances, changes or effects) resulting from, relating to or arising out of the following shall be deemed to be or constitute a Seller Material Adverse Effect, and no facts, circumstances, changes or effects resulting from, relating to or arising out of the following (by themselves or when aggregated with any other facts, circumstances, changes or effects) shall be taken into account when determining whether a Seller Material Adverse Effect has occurred or may, would or could occur: (i) economic, financial or political conditions in any jurisdiction in which the Acquired Companies have substantial business or operations, and any changes therein (including any changes arising out of acts of terrorism, war, weather conditions or other force majeure events), to the extent that such conditions do not have a disproportionate impact on the Acquired Companies (as compared to other businesses engaged in similar industries as the Business); (ii) conditions in the financial markets, and any changes therein (including any changes arising out of acts of terrorism, weather conditions or other force majeure events), to the extent that such conditions do not have a disproportionate impact on the Acquired Companies (as compared to other businesses engaged in similar industries as the Business); (iii) the announcement or pendency of this Agreement and the Transaction; (iv) changes in Law or UK GAAP (or any interpretations of UK GAAP) applicable to the Acquired Companies; or (v) compliance by the Sellers with the express terms of this Agreement or the failure by the Sellers to take any action that is prohibited by this Agreement.

"Sellers" has the meaning set forth in the preamble to this Agreement.

"Seller Schedule Supplement" has the meaning set forth in Section 9.10(b).

"Sellers Shares" has the meaning set forth in the preliminary statements of this Agreement.

"Shareholders" means, collectively, Xercise MC, Jambright MC, the TC1 Shareholders and the TC2 Shareholders.

"Staff Pension Scheme" has the meaning set forth in Section 4.23(a).

"Subscription Agreement" means the Subscription Agreement, dated the date of this Agreement, among the Sellers, TC1 and TC2, regarding the subscription for shares in connection with the Rights Offer.

"Subsidiary" means any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of the Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control any managing member or general partner of such limited liability company, partnership, association or other business entity.

"Sun Parties" has the meaning set forth in the preamble of this Agreement.

"Sun Parties TC1 Shares" has the meaning set forth in the preliminary statements of this Agreement.

"Taxes" or *"Tax"* means all federal, national, state, province, local and foreign taxes, charges, duties, fees, levies or other assessments, including income, excise, property, sales, use, gross receipts, recording, insurance, value added, profits, license, withholding, payroll, employment, capital stock, customs duties, net worth, windfall profits, capital gains, transfer, registration, estimated, stamp, social security, environmental, occupation, franchise or other taxes of any kind whatsoever, imposed by any Governmental Entity, and all interest, additions to tax penalties and other similar amounts imposed thereon, whether disputed or not, and including any obligation to indemnify or otherwise assume or succeed to the Tax Liability of any other Person.

"Tax Claim" means a Claim made pursuant to Section 4.9.

"Tax Return" means, with respect to any Person, all federal, national, state, province, local and foreign Tax returns, annual return, reports, declarations, statements, claims for refund, and other documentation, including any schedule or attachment thereto, required to be filed by or on behalf of such Person (or any predecessor) or any consolidated, combined, affiliated or unitary group of which such Person is or has been a member (but only with respect to taxable periods during which such Person is a member thereof).

"TC1" means Suncap Parma Topco Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 06386847.

"TC1 Form of Subscription" means the form of subscription, in form and substance satisfactory to Buyer, to be circulated together with the TC1 Rights Offer Circular pursuant to which holders of shares in the capital of TC1 will be entitled to subscribe for shares pursuant to the terms of the TC1 Rights Offer.

"TC1 New Capital" has the meaning set forth in Section 2.2(r).

"TC1 Rights Offer" means the proposed offer of shares to the existing ordinary shareholders of TC1 to take place after the date of this Agreement but prior to Closing on the terms set out in the TC1 Rights Offer Circular.

"TC1 Rights Offer Circular" means the circular, in form and substance satisfactory to Buyer, to be sent to each of the holders of ordinary shares and A ordinary shares in the capital of TC1 in respect of the TC1 Rights Offer.

"TC1 Shareholders" means the entities and individuals listed as such in *Schedule 2.1(d)-1* and such other Persons as may be the registered holders of TC1 Shares at the Closing.

"TC1 Shares" has the meaning set forth in the preliminary statements of this Agreement.

"TC2" means TDR Parma Topco Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 06386846.

"TC2 Form of Subscription" means the form of subscription, in form and substance satisfactory to the Buyer, to be circulated together with the TC2 Rights Offer Circular pursuant to which holders of shares in the capital of TC2 will be entitled to subscribe for shares pursuant to the terms of the TC2 Rights Offer.

"TC2 New Capital" has the meaning set forth in Section 2.2(s).

"TC2 Rights Offer" means the proposed offer of shares to the existing ordinary shareholders of TC2 to take place after the date of this Agreement but prior to Closing on the terms set out in the TC2 Rights Offer Circular.

"TC2 Rights Offer Circular" means the circular, in form and substance satisfactory to Buyer, to be sent to each of the holders of ordinary shares and A ordinary shares in the capital of TC2 in respect of the TC2 Rights Offer.

"TC2 Shareholders" means the entities and individuals listed as such in *Schedule 2.1(d)-1* and such other Persons as may be the registered holders of TC2 Shares at the Closing.

"TC2 Shares" has the meaning set forth in the preliminary statements of this Agreement.

"TDR" has the meaning set forth in the preamble of this Agreement.

"TDR TC2 Shares" has the meaning set forth in the preliminary statements of this Agreement.

"Ten Day Period" has the meaning set forth in Section 8.6(d)(i).

"Termination Date" means the date falling 100 days after the date of this Agreement.

"Third-Party Claim" has the meaning set forth in Section 8.5(a).

"Transaction" means the transactions contemplated by the Transaction Documents.

"Transaction Documents" means this Agreement, the Proxy Statement, the Proxy Confirmation and all other instruments, certificates and documents expressly required to be delivered by Buyer, Buyer Representative or any Seller pursuant to this Agreement or any other Transaction Document.

"Transaction Expenses" means, with respect to any Person, (i) any and all fees and out-of-pocket costs and expenses of such Person and any counsel, accountants, investment bankers and other professional advisors engaged by such Person, in connection with the Transaction, (ii) any Liability of such Person for payments to any other Person to obtain any consent, release, approval, waiver or other authorization required in order to consummate the Transaction, and (iii) any filing fee payable under any antitrust or competition law for any report or other filing required to be made in connection with the Transaction.

"Trust Account" has the meaning set forth in Section 5.11(d).

"Trust Account Documents" has the meaning set forth in Section 5.21(a).

"Trustee" has the meaning set forth in Section 5.21(a).

"UK GAAP" means generally accepted accounting principles as in effect on the date of this Agreement in the United Kingdom.

"Unaffiliated Firm" means such internationally recognized firm of accountants as Buyer Representative and the Sellers' Representative may agree upon in writing.

"Warrant Amendment" means the amendment of the outstanding Buyer Warrants to (i) allow for the Mandatory Redemption, (ii) increase the exercise price of the Buyer Warrants that are not mandatorily redeemed from €7 per share to €11 and (iii) amend the redemption feature of the Buyer Warrants that are not mandatorily redeemed such that the Company may redeem such Buyer Warrants if the Buyer Ordinary Shares shall have been publicly traded on an internationally recognized exchange (including Euronext Amsterdam or the London Stock Exchange) above €16.50 for five consecutive trading days.

"Xercise" has the meaning set forth in the preamble to this Agreement.

"Xercise MC" has the meaning set forth in the preamble to this Agreement.

1.2 *Rules of Construction.* The following rules shall apply to the interpretation of this Agreement:

(a) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

(b) Any reference to any federal, state, local, or foreign Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise, and shall be deemed to refer to any such Law as amended and in effect at any time.

(c) For the purposes of this Agreement and the Schedules and Exhibits to this Agreement, (i) words in the singular will include the plural and vice versa and words of one gender will include the other gender as the context requires, (ii) the terms "hereof", "herein", and "herewith" and words of similar import will, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, (iii) the word "including" and words of similar import will mean "including, without limitation", unless otherwise specified, (iv) the word "or" will not be exclusive and (v) any accounting term will have, unless otherwise specifically provided herein, the meaning customarily given such term in accordance with UK GAAP or IFRS , as applicable, and all financial computations will be made, unless otherwise specifically provided herein, in accordance with UK GAAP or IFRS, as applicable, consistently applied, and all references to UK GAAP or IFRS , as applicable, unless otherwise specifically provided herein, will be to UK GAAP or IFRS, as applicable.

(d) Capitalized terms used in the other Transaction Documents but not otherwise defined therein will have the respective meanings assigned to such terms in this Agreement.

(e) A "breach" of a warranty, covenant, obligation or other provision of this Agreement or any Transaction Document will be deemed to have occurred if there is or has been any inaccuracy in or breach of or any failure to perform or comply with, such warranty, covenant, obligation, or other provision.

(f) The article, section and paragraph captions herein and the table of contents hereto are for convenience of reference only, do not constitute part of this Agreement and will not be deemed to limit or otherwise affect any of the provisions hereof. Unless otherwise specified, all references herein to numbered Articles and Sections are to Articles and Sections of this Agreement and all references herein to Exhibits are to Exhibits to this Agreement.

(g) Unless otherwise specified, all references contained in this Agreement or in any Transaction Document to Euros or "€" will mean European Union Euros.

(h) Unless otherwise specified, all references to a Contract will include that Contract as it may be amended, modified, supplemented, waived or otherwise in effect from time to time.

PURCHASE AGREEMENT

BY AND AMONG

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

O-RE HOLDINGS (NETHERLANDS) B.V.

and

O-RE HOLDINGS UK LIMITED

Dated June 27, 2009

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EXHIBITS

Exhibit A — Definitions

PURCHASE AGREEMENT

This PURCHASE AGREEMENT (this ***"Agreement"***) is made as of June 27, 2009, by and among Liberty Acquisition Holdings (International) Company, a Cayman Islands exempted company (the ***"Buyer"***), Ian Ashken, as the Buyer Representative, O-Re Holdings (Netherlands) B.V., a private limited liability company incorporated under the laws of the Netherlands having its statutory seat in Amsterdam, the Netherlands registered with the commercial register under number 34269992 (the ***"Seller"***), O-Re Holdings UK Limited, a private company limited by shares incorporated in England and Wales with registered number 05997394 (***"O-Re UK"***) (the Seller and O-Re UK together, the ***"O-Re Parties"***), and, solely for the purposes articulated in Article VIII, Matthew Allen ***("Allen")***, Edward Hawkes ***("Hawkes")***, Marc Jonas ***("Jonas")***, Hugh Osmond ***("Osmond")*** and William Alan McIntosh, ***("McIntosh"***, and together with Allen, Hawkes, Osmond and Jonas, the ***"Sun Parties"***), Xercise Midco Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 06656837 ***("Xercise MC")***, Xercise Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 0312755 ***("Xercise")***, Jambright Midco Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 6656853 ***("Jambright MC")***, Jambright Limited, a private company limited by shares incorporated under the laws of England and Wales with registered number 05282298 ***("Jambright")***, TDR Capital Nominees Limited, a private company organized in England and Wales with registered number 04708906 ***("TDR"***, and, together with the Sun Parties, Jambright, Jambright MC, Xercise and Xercise MC, the ***"Pearl Sellers"***).

Preliminary Statements

1.1 The Opal Shareholders (as defined herein) own all of the issued and outstanding Equity Securities of Opal-Re (the **"Opal Shares"**).

1.2 The Seller owns certain of the Opal Shares (the ***"Seller Opal Shares"***) and the Seller shall procure that all other Opal Shareholders sell their Opal Shares to the Buyer.

1.3 The Buyer desires to purchase from the Opal Shareholders (as defined herein), and the Seller desires to sell and procure that all other Opal Shareholders sell to Buyer, all of the Opal Shares, upon the terms and subject to the conditions set forth herein.

1.4 The Buyer has, on the date of this agreement, entered into the Pearl Purchase Agreement. The parties intend that this agreement and the Pearl Purchase Agreement shall close simultaneously on the terms set forth herein and in the Pearl Purchase Agreement.

Agreement

In consideration of the premises and of the mutual warranties, covenants and agreements hereinafter contained, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. *Defined Terms.*

Capitalized terms used in this Agreement, the Exhibits and Schedules to this Agreement and the Disclosure Statements shall have the meanings specified in *Exhibit A*.

SECTION 1.2. *Rules of Construction.*

The rules of construction specified in *Exhibit A* shall apply to this Agreement, the Exhibits and Schedules to this Agreement and the Disclosure Statements.

ARTICLE II

PURCHASE AND SALE OF OPAL RE SHARES

SECTION 2.1. *Purchase and Sale of the O-Re Parties' Shares.*

(a) At the Closing, upon the terms and subject to the conditions set forth herein the Buyer shall purchase and acquire from the Seller, and the Seller shall sell, convey, transfer, assign and deliver to the Buyer, free from all Liens and with Full Title Guarantee (other than Permitted Transfer Restrictions), all of the Seller Opal Shares and the Buyer shall purchase and acquire the Seller Opal Shares in consideration for the payment of the portion of the Opal-Re Purchase Price attributable to the Seller Opal Shares (being the issue of Issued Shares in exchange for the Seller Opal Shares (such Issued Shares being the ***"Seller Issued Shares"***)). The Seller Opal Shares shall be sold with all rights attaching to them at the Closing or subsequently, including the rights to receive all dividends and other distributions declared, paid or made after the Closing.

(b) At the Closing, upon the terms and subject to the conditions set forth herein, the Seller shall procure that each of the Opal Shareholders (other than the Seller) shall sell, convey, transfer, assign and deliver their Opal Shares as listed in Schedule 7, representing all of the Opal Shares in which such other Opal Shareholders have any right, title or interest, to the Buyer free from all Liens and with Full Title Guarantee (other than Permitted Transfer Restrictions), and the Buyer shall purchase and acquire such Opal Shares in consideration for the payment of the proportion of the Opal-Re Purchase Price attributable to such Opal Shares (being the issue of Issued Shares in exchange for such Opal Shares). Such Opal Shares shall be sold with all rights attaching to them at the Closing or subsequently, including the rights to receive all dividends and other distributions declared, paid or made after the Closing.

(c) The aggregate consideration for the Opal Shares (the ***"Opal-Re Purchase Price"***), subject to adjustment pursuant to Section 8.4 of this Agreement and Section 8.4 of the Pearl Purchase Agreement, shall be 2,481,064 newly created and issued Class B Ordinary Shares (the ***"Issued Shares"***) plus any contingent consideration issued pursuant to the Contingent Consideration Agreement.

(d) The Opal-Re Purchase Price shall be allocated among the Opal Shareholders as provided in Schedule 3, such allocation being pro rata (or as near as possible such as to avoid any fractional allocation of shares) to their shareholdings. The O-Re Parties, following signing and completion of the Rights Offer, shall provide the Buyer with an amended Schedule 3 which shall allocate the Opal-Re Purchase Price to the Opal Shareholders on a shareholder by shareholder basis. If the Sellers do not provide such amended Schedule 3, the limitation on Claims provided in Article VIII shall be derived from the original Schedule 3.

SECTION 2.2. *Conditions to Obligations of Buyer.*

The obligations of the Buyer and the Buyer Representative to effect the Transaction are subject to the waiver by the Buyer (where legally able to waive) or fulfillment at or prior to the Closing Date of each of the following conditions:

(a) *Warranties.* The warranties set forth in Articles III and IV shall be true and correct except as would not have a Seller Material Adverse Effect, as of the date of this Agreement and as of the Closing Date, with the same effect as though made on and as of the date of this Agreement and the Closing Date, provided, however, that if, after public disclosure to the Buyer Shareholders of the failure of any such warranties in Articles III and IV to be true and correct as of the date of this Agreement, except as would not have a Seller Material Adverse Effect, the Requisite Shareholder Approval is nonetheless subsequently obtained, then this condition shall be deemed waived by the Buyer with respect to any such warranties (it being understood and agreed that nothing herein shall be deemed to waive this condition with respect to the failure of the warranties in Articles III and IV to be so true and correct as of the Closing Date).

(b) *Performance of Obligations of O-Re Parties.* Each and all of the covenants and agreements of the O-Re Parties to be performed or complied with pursuant to this Agreement or any other Transaction Document, in each case on or prior to the Closing Date, shall have been performed and complied with in all material respects.

(c) *Litigation.* No Action shall have been overtly threatened in writing (which if instituted has a reasonable likelihood of success), instituted or pending which (i) is reasonably likely to make illegal, or to delay beyond the Termination Date or otherwise directly or indirectly restrain or prohibit, the consummation of the Transaction or otherwise have a Seller Material Adverse Effect or (ii) seeks to impose limitations on the ability of the Buyer or any of its Affiliates effectively to exercise full rights of ownership of the Equity Securities of Opal-Re.

(d) *Laws.* There shall not following the date hereof have been enacted, entered, enforced, promulgated or deemed applicable to the Transaction any Law or any other action taken by any court or other Governmental Entity that has resulted, or could reasonably be expected to result, directly or indirectly, in either of the consequences referred to in Section 2.2(c).

(e) *Antitrust Approvals.* (i) All waiting periods (and all extensions thereof) applicable to the consummation of the Transaction under any applicable Law shall have terminated or expired, and (ii) all antitrust and competition approvals and consents (other than those specified in clause (i)) from any jurisdiction in which it would be unlawful to complete the Transaction without such approvals and consents or in which the Buyer and the Seller judge desirable (each acting reasonably) to apply for antitrust or competition approvals or consents for the Transaction, shall have been received on terms reasonably satisfactory to the Buyer and all relevant antitrust and competition notifications and filings shall have been made.

(f) *Requisite Shareholder Approval.* The Requisite Shareholder Approval shall have been obtained for the matters submitted to a vote of the Buyer Shareholders in substantially the form of Schedule 1 and as the same will be set forth in the Proxy Statement.

(g) *Transaction Documents.* Each of the Transaction Documents shall have been executed and delivered, as applicable, by each of the parties to such Transaction Documents other than the Buyer and the Buyer Representative in form and substance reasonably satisfactory to the Buyer.

(h) *Restructuring of Debt.* The finance parties shall have confirmed in writing by way of a limited CP satisfaction letter, to the satisfaction of Buyer in its sole discretion, that all conditions to the debt restructuring (the ***"Debt Restructuring"***) have been satisfied or waived by the finance parties save for the funds flow provisions at steps 4 and 5 of the Company Reorganization pursuant to clause 7 and Schedule 3 of the Implementation Agreement.

(i) *Reorganization.* Opal-Re and its Affiliates shall have completed those portions of the Company Reorganization designated to be completed prior to Closing in accordance with Schedule 2 pursuant to documents reasonably satisfactory to the Buyer.

(j) [Intentionally left blank]

(k) *Bermuda Monetary Authority.* The Bermuda Monetary Authority ***(BMA)***, and any other relevant Regulator, shall have, to the extent necessary, approved or be deemed to have approved the acquisition by the Buyer (and its direct or indirect controllers (whether bodies corporate or individuals)) of control over Opal-Re, or any other relevant Regulator, either unconditionally or subject to the fulfillment of certain conditions or obligations acceptable to the Buyer (such acceptance not to be unreasonably withheld or delayed if the relevant conditions or obligations are not, in the Buyer's reasonable opinion, unduly onerous, provided that (without limitation) any obligation or condition which requires the Buyer or any Subsidiary of the Buyer or Opal-Re to dispose of any material part of its business shall, for these purposes, be considered to be unduly onerous).

(l) *Pearl.* All conditions to the transaction contemplated by the Pearl Purchase Agreement (other than Closing) shall have been satisfied or waived in full such that the closing of the transactions contemplated by the Pearl Purchase Agreement may occur simultaneously with the Closing.

(m) *Axial.* Pearl Group Limited shall have become the legal and beneficial owner of all of the issued and outstanding Equity Securities of Axial, free from all Liens, and the Axial Shareholders

Agreement shall have been terminated by agreement between the parties to it, in a form acceptable to the Buyer.

SECTION 2.3. *Conditions to Obligations of O-Re Parties.*

The obligations of the O-Re Parties to effect the Transaction are subject to the waiver by the O-Re Parties (where legally able to waive) or fulfillment at or prior to the Closing Date of each of the following conditions:

(a) *Warranties.* The warranties of the Buyer set forth in Article V shall be true and correct except as would not have a Buyer Material Adverse Effect, as of the date of this Agreement and as of the Closing Date, with the same effect as though made on and as of the date of this Agreement and the Closing Date.

(b) *Performance of Obligations of Buyer.* Each and all of the covenants and agreements of the Buyer to be performed or complied with pursuant to this Agreement or any other Transaction Document, in each case on or prior to the Closing Date, shall have been performed and complied with in all material respects.

(c) *Litigation.* No Action shall have been overtly threatened in writing (which if instituted has a reasonable likelihood of success), instituted or pending which (i) is reasonably likely to make illegal, or to delay beyond the Termination Date or otherwise directly or indirectly restrain or prohibit, the consummation of the Transaction or otherwise have a Buyer Material Adverse Effect or (ii) seeks to impose limitations on the ability of the Buyer or any of its Affiliates effectively to exercise full rights of ownership of the Equity Securities of Opal-Re.

(d) *Laws.* There shall not following the date hereof have been enacted, entered, enforced, promulgated or deemed applicable to the Transaction any Law or any other action taken by any court or other Governmental Entity that has resulted, or could reasonably be expected to result, directly or indirectly, in either of the consequences referred to in Section 2.3(c).

(e) *Antitrust Approvals.* (i) All waiting periods (and all extensions thereof) applicable to the consummation of the Transaction under any applicable Law shall have terminated or expired, and (ii) all antitrust and competition approvals and consents (other than those specified in clause (i)) from any jurisdiction in which it would be unlawful to complete the Transaction without such approvals and consents or in which the O-Re Parties and the Buyer judge desirable (each acting reasonably) to apply for antitrust or competition approvals or consents for the Transaction, shall have been received on terms reasonably satisfactory to the O-Re Parties and all relevant antitrust and competition notifications and filings shall have been made.

(f) *Requisite Shareholder Approval.* The Requisite Shareholder Approval shall have been obtained for the matters submitted for a vote of the Buyer Shareholders in substantially the form of Schedule 1 and as the same will be set forth in the Proxy Statement.

(g) *Transaction Documents.* Each of the Transaction Documents shall have been executed and delivered, as applicable, by each of the Parties to such Transaction Documents other than the O-Re Parties and Opal-Re in form and substance reasonably satisfactory to the O-Re Parties.

(h) [Intentionally left blank]

(i) *Restructuring of Debt.* The finance parties shall have confirmed in writing by way of a limited CP satisfaction letter, to the satisfaction of the O-Re Parties in their sole discretion, that all conditions to the Debt Restructuring have been satisfied or waived by the finance parties save for the funds flow provisions at steps 4 and 5 of the Company Reorganization pursuant to clause 7 and Schedule 3 of the Implementation Agreement.

(j) *Reorganization.* Opal-Re and its Affiliates shall have completed those portions of the Company Reorganization designated to be completed prior to Closing in accordance with Schedule 2 pursuant to documents reasonably satisfactory to the O-Re Parties.

(k) *BMA*. The BMA, and any other relevant Regulator, shall have, to the extent necessary, approved or be deemed to have approved the acquisition by the Buyer (and its direct or indirect controllers (whether bodies corporate or individuals)) of control over Opal-Re (or any subsidiary or Affiliate which is authorized or regulated by the BMA), or any other relevant Regulator, either unconditionally or subject to the fulfillment of certain conditions or obligations acceptable to the O-Re Parties (such acceptance not to be unreasonably withheld or delayed if the relevant conditions or obligations are not, in the O-Re Parties' reasonable opinions, unduly onerous, provided that (without limitation) any obligation or condition which require the O-Re Parties or Opal-Re to dispose of any material part of its business shall, for these purposes, be considered to be unduly onerous).

(l) *Pearl*. All conditions to the transactions contemplated by the Pearl Purchase Agreement (other than Closing) shall have been satisfied or waived in full such that the closing of the transactions contemplated by the Pearl Purchase Agreement may occur simultaneously with the Closing.

SECTION 2.4. *Closing*.

(a) The closing of the purchase and sale of the Opal Shares (the ***"Closing"***) will take place (i) at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, England, on the fifth Business Day following the fulfillment or waiver of all conditions set forth in Sections 2.2 and 2.3 or (ii) at such other place, date and time as the O-Re Parties and the Buyer may agree in writing.

(b) At the Closing, the Seller will deliver or make available to the Buyer the following:

(i) transfers of all of the Opal Shares in favour of the Buyer, or any nominee specified by the Buyer for the purpose, duly executed by or on behalf of each of the Opal Shareholders;

(ii) the share certificates representing all of the Opal Shares or an indemnity in a form satisfactory to the Buyer for any missing share certificates;

(iii) a written confirmation of the directors of Opal-Re that they will register the transfers noted above;

(iv) a deed of release of each Lien over any of the Opal Shares duly executed by the Person to whom that Lien was granted, if any;

(v) the Opal-Re Disclosure Statement as amended or supplemented pursuant to Section 9.10(b) signed by or on behalf of the O-Re Parties;

(vi) all other instruments, agreements, certificates and documents required to be delivered by the Seller at or prior to the Closing Date pursuant to this Agreement or any other Transaction Document; and

(vii) at the offices of Opal-Re, the seal (if any), statutory registers, certificate of incorporation (and any certificate of incorporation on change of name), minute books and share certificate books of Opal-Re, complete and up-to-date up to but not including the Closing.

(c) At the Closing, the Buyer will deliver to the Seller the following:

(i) certified copies of extracts from the Buyer's register of members showing the Issued Shares as having been allocated to each Opal Shareholder in accordance with Schedule 3, and any other documents that are necessary or customary in the relevant jurisdiction to issue to the Opal Shareholders good title to all the Issued Shares free and clear of any Liens (other than Permitted Transfer Restrictions);

(ii) the Buyer Disclosure Statement as amended or supplemented pursuant to Section 9.10(c) signed by or on behalf of the Buyer; and

(iii) all other instruments, agreements, certificates and documents required to be delivered by the Buyer at or prior to the Closing Date pursuant to this Agreement or any other Transaction Document.

SECTION 2.5. *Transfer Taxes.*

All applicable sales and transfer Taxes due as a result of the sale of the Opal Shares, in each case, if any, and filing, recording, registration, stamp, documentary and other Taxes and fees payable in connection with the sale of the Opal Shares will be paid by the Buyer. All applicable sales and transfer Taxes due as a result of the issuance of the Issued Shares and filing, recording, registration, stamp, documentary and other Taxes and fees payable in connection with the issuance of the Issued Shares, in each case, if any, will be paid by the Buyer.

SECTION 2.6. *Letter of Credit*

Each of the O-Re Parties, conditional only upon Closing, irrevocably waives any right, in relation to reimbursement or otherwise, which it may have against Opal-Re arising out of or in relation to a letter of credit facility between Xercise, TDR, O-Re UK and Opal-Re dated 30 May 2008 and a recapitalisation agreement between the O-Re Parties and Opal-Re dated 20 May 2009.

ARTICLE III

BASIC WARRANTIES OF THE O-RE PARTIES

The O-Re Parties, severally, warrant, as of the date hereof and as of the Closing Date, to the Buyer as follows:

SECTION 3.1. *Binding Obligation and Execution.*

Each of the O-Re Parties (a) is duly incorporated or formed under the laws of the jurisdiction where it is organized, (b) has the corporate, company, partnership, trust or other power, authority and legal right to execute and deliver each Transaction Document delivered by it and to perform its obligations hereunder and thereunder and (c) has duly authorized the execution, delivery and performance by it of each Transaction Document to which it is a party. Each Transaction Document to which the O-Re Parties are a party has been duly executed and delivered by such O-Re Party and constitutes the legal, valid and binding obligation of that O-Re Party, enforceable against that O-Re Party in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights in general and by general principles of equity.

SECTION 3.2. *No Breach.*

None of the execution, delivery or performance by the O-Re Parties of any Transaction Document delivered by the O-Re Parties or the consummation of the Transaction (a) requires any Consent or Permit applicable to the O-Re Parties which has not been obtained prior to the date hereof, (b) results in the creation of any Lien upon any of the properties or assets of Opal-Re, or (c) conflicts with, or results in a breach or violation of or a default under, or gives rise to a right of amendment, termination, cancellation or acceleration of any obligation or to a loss of a benefit under (i) any Contract of the O-Re Parties, or any of their Affiliates or any Contract of Opal-Re, (ii) any Law, License or Permit or other requirement to which such Person or such Person's properties or assets are subject, or to which Opal-Re or any of their properties or assets are subject, or (iii) the Organizational Documents of Opal-Re or the O-Re Parties, except for, in the case of (a), (b), (c)(i) and (c)(ii), those which would not have a Seller Material Adverse Effect or would not reasonably be expected to have, individually or in the aggregate, an adverse effect on the ability of the O-Re Parties to consummate the Transaction.

SECTION 3.3. *Title.*

The Seller is the legal and beneficial owner of the Seller Opal Shares, free and clear of any Liens (other than Permitted Transfer Restrictions). Each Opal Shareholder is either the legal and beneficial owner of the number of Opal Shares set forth opposite such Opal Shareholder's name on Schedule 7, free and clear of any Liens (other than Permitted Transfer Restrictions), or is the legal owner of the number of Opal Shares set forth opposite such Opal Shareholder's name on Schedule 7, free and clear of any Liens (other than Permitted Transfer Restrictions). Where applicable, set forth on Schedule 7 is the name or names of the beneficial

owners of the Opal Shares (and the number of such Opal Shares beneficially held by them) held by the legal owners named in that Schedule. The legal owners of the Opal Shares set forth on Schedule 7 each have full authority on behalf of the applicable beneficial owners of such Opal Shares to transfer those Opal Shares free and clear of any Liens (other than Permitted Transfer Restrictions). The number of Opal Shares set forth opposite such Opal Shareholder's name in Schedule 7 constitute all of the Opal Shares over which any voting or dispositive power is held by such Opal Shareholder.

SECTION 3.4. *No Brokers.*

Except as set forth in the Opal-Re Disclosure Statement, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of the O-Re Parties (or either of them) and who is or might be entitled to any fee, commission or payment in connection with the negotiation, preparation, execution or delivery of any Transaction Document or the consummation of the Transaction. Any payment to which any Person referred to in the Opal-Re Disclosure Statement is entitled is payable only by the O-Re Parties.

SECTION 3.5. *Governmental Approvals.*

Other than as set forth in this Agreement, including, without limitation, Section 2.2, no Consent or Order of, with or to any Governmental Entity or other Person is required to be obtained or made by or with respect to the O-Re Parties in connection with the execution, delivery and performance by the O-Re Parties of any Transaction Document or the consummation by the O-Re Parties of the Transaction, other than any Consent or Order the failure to obtain or make any such Consent or Order would not reasonably be expected to have a material adverse effect on the ability of Opal-Re to conduct the Business in all material respects as currently conducted and as presently proposed to be conducted.

SECTION 3.6. *Due consideration.*

Each of the O-Re Parties are entering into this Agreement in good faith and, having considered the Opal-Re Purchase Price believe that the entry into this Agreement is for its benefit.

ARTICLE IV

WARRANTIES CONCERNING

OPAL-RE

The O-Re Parties, severally, hereby warrant, as of the date hereof and as of the Closing Date, to the Buyer that, other than as set forth in the Opal-Re Disclosure Statement:

SECTION 4.1. *Organization.*

Opal-Re is duly formed and validly existing under the laws of Bermuda. Opal-Re has all requisite corporate, partnership or other power and authority to own, lease and operate its assets and properties and to carry on the Business as presently conducted. Opal-Re is duly qualified to transact business in each jurisdiction in which the ownership, leasing or holding of its properties or the conduct or nature of its business makes such qualification necessary, except where the failure to be so qualified would not have a Seller Material Adverse Effect. The Organizational Documents, minute books, stock certificate books and stock transfer books of the Opal-Re previously delivered or made available to the Buyer are true and complete copies as amended to date. Opal-Re has no Subsidiaries or Affiliates.

Schedule 6 sets forth a complete list of the current directors and executive officers of Opal-Re.

SECTION 4.2. *Authority.*

Opal-Re has all requisite corporate, partnership or other power and authority to execute and deliver each Transaction Document delivered by it and to perform all of its obligations under the Transaction Documents. The execution, delivery and performance by Opal-Re of each Transaction Document to which it is a party delivered by it and the consummation of the transactions contemplated to be performed by it under the

Transaction Documents to which it is a party have been duly authorized by all necessary and proper corporate, partnership or other action on the part of Opal-Re.

SECTION 4.3. *No Breach.*

None of the execution, delivery or performance by Opal-Re of any Transaction Document or the consummation by Opal-Re of the Transaction does or will, with or without the giving of notice or the lapse of time or both, (a) require any License or Permit applicable to Opal-Re, (b) result in the creation of any Lien upon any of the properties or assets of Opal-Re (except for Permitted Liens) or (c) conflict with, or result in a breach or violation of or a default under, or give rise to a right of amendment, termination, cancellation or acceleration of any obligation or to a loss of a benefit under (i) the Organizational Documents of Opal-Re, (ii) any Contract of Opal-Re or (iii) assuming compliance with the matters referred to in the Opal-Re Disclosure Statement, any Law, License or Permit or other requirement to which Opal-Re or any of its properties or assets are subject, except, in the case of (a), (b), (c)(ii) or (c)(iii) for those which would not have a Seller Material Adverse Effect.

SECTION 4.4. *No Brokers.*

There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Opal-Re who is or might be entitled to any fee, commission or payment from Opal-Re in connection with the negotiation, preparation, execution or delivery of any Transaction Document or the consummation of the Transaction.

SECTION 4.5. *Governmental Approvals.*

Other than as set forth in this Agreement, no Consent or Order of, with or to any Governmental Entity or other Person is required to be obtained or made by or with respect to Opal-Re in connection with the execution, delivery and performance by Opal-Re of any Transaction Document or the consummation of the Transaction, except for any failure to obtain or make such Consent or Order which would not have a Seller Material Adverse Effect.

SECTION 4.6. *Capitalization.*

(a) Schedule 7 sets forth (i) the authorized Equity Securities of Opal-Re, (ii) the number of Equity Securities of Opal-Re that are issued and outstanding and the legal and beneficial owners thereof, and (iii) the number of Equity Securities of Opal-Re that is recorded to be held by each of the Opal Shareholders. All of the outstanding Equity Securities of Opal-Re are duly authorized, validly issued and fully paid and were not issued in violation of, and are not subject to, any preemptive rights. There are no bonds, debentures, notes or other Indebtedness of any type whatsoever in Opal-Re which give the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which any holders of Equity Securities of Opal-Re may vote. Except for rights granted to the Buyer under this Agreement, there are no outstanding options, warrants, calls, demands, rights to receive shadow equity, Contracts or other rights of any nature to purchase, obtain or acquire or otherwise relating to, or any outstanding securities or obligations convertible into or exchangeable for, or any voting agreements with respect to, any Equity Securities of Opal-Re or any other securities of Opal-Re and Opal-Re is not obligated, pursuant to any securities, options, warrants, calls, demands, Contracts or other rights of any nature or otherwise, now or in the future, contingently or otherwise, to issue, deliver, sell, purchase or redeem any Equity Securities of Opal-Re, any other securities of Opal-Re or any interest in or assets of Opal-Re to or from any Person or to issue, deliver, sell, purchase or redeem any stock appreciation rights or other Contracts of Opal-Re relating to any Equity Securities of Opal-Re or other securities of Opal-Re to or from any Person.

(b) All of the outstanding Equity Securities of Opal-Re have been issued in compliance with all requirements of Laws and Contracts applicable to Opal-Re and the Equity Securities of Opal-Re.

SECTION 4.7. *Financial Information.*

(a) The Management Statements have been prepared in good faith and with due care, using accounting policies and bases consistent with those used in preparing the Accounts, from and in accordance with the

books, accounts and financial records of Opal-Re (which accurately and consistently reflect all material transactions to which Opal-Re was party during the period set forth) and present truly and fairly, in all material respects, financial position of Opal-Re as of the dates set forth therein and the results of its operations and cash flows for the periods set forth therein.

(b) Opal-Re has established adequate internal controls for purposes of preparing the Accounts and any periodic financial statements.

(c) Opal-Re does not have any Off Balance Sheet Arrangement.

(d) Other than Liabilities (i) stated or fully reserved against in the Accounts or the Management Statements or (ii) incurred as a result of or arising out of the Transaction, Opal-Re does not have any material Liability that would be required to be included in the Accounts and/or Management Statements.

(e) The Accounts were prepared under the historical cost convention and in accordance with applicable International Standards on Auditing issued by the International Auditing and Assurance Standards Boards. The Accounts give a true and fair view of the state of affairs of Opal-Re as at the end of each financial year to which they relate and of its profit or loss for the period ended on that date. Except as noted in the Accounts, the profits of Opal-Re disclosed in the Accounts were not affected by any exceptional items or any other unusual or non-recurring items. The Accounts have been prepared applying accounting policies consistently as from one financial year to the next. As of December 31, 2008, Opal-Re has not incurred any Liability (whether actual, contingent, unquantified or disputed) or outstanding capital commitment which was not disclosed, provided for or noted in the Accounts to the extent required to be so disclosed, provided for or noted in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Boards.

SECTION 4.8. *Absence of Material Adverse Effect and Certain Events.*

(a) No conditions, circumstances or facts exist, and since December 31, 2008, there have not been any events, occurrences, changes, developments or circumstances, which have had a Seller Material Adverse Effect.

(b) From and after December 31, 2008, Opal-Re has conducted the Business in the Ordinary Course of Business.

(c) Other than with regard to Investment Interests, Opal-Re has not since December 31, 2008 taken any action of the type referred to in Section 6.1(b) or Section 6.1(c).

SECTION 4.9. *Taxes.*

(a) Opal-Re has filed all material Tax Returns required to be filed by it ***("Company Tax Returns")***. All such Company Tax Returns were at the time of filing believed by Opal-Re to be correct and complete in all material respects, save to the extent that certain information was disclosed to the applicable taxing authority as outstanding. All Company Tax Returns for the financial year ended December 31, 2006 and for the financial year ended December 31, 2007 (or on any other dates during those calendar years) have been timely filed with the appropriate tax authorities in all jurisdictions in which such Company Tax Returns are or were required to be filed.

(b) All Taxes due and owing by Opal-Re (whether or not shown on any Company Tax Return) have been paid or adequate reserves therefor have been provided for in the Accounts in accordance with applicable generally accepted accounting principles, that Opal-Re has adopted, in the jurisdiction in which Opal-Re's Accounts are prepared and filed.

(c) Opal-Re has timely withheld any material amounts from its past, present and prospective employees, directors, customers, shareholders, creditors, independent contractors, and others from whom they are or were required to withhold Taxes in compliance with all applicable Laws and has timely paid all such withheld amounts to the appropriate taxing authorities.

(d) To the Knowledge of the O-Re Parties, the O-Re Parties do not expect any Governmental Entity to assess any material additional Taxes for Opal-Re in excess of (i) Taxes for which provision is made in the Accounts and (ii) in respect of the period from December 31, 2008 to Closing, Taxes arising in the Ordinary Course of Business of Opal-Re other than Taxes arising from or in connection with the Company Reorganization or the Debt Restructuring. There is no audit, examination, claim, assessment, levy, deficiency, administrative or judicial proceeding, lawsuit or refund Action pending or threatened (either in writing or verbally, formally or informally) with respect to any material Taxes for which Opal-Re is, or is to the Knowledge of the O-Re Parties, expected by the O-Re Parties to be, liable, and no taxing authority has given notice (either in writing or verbally, formally or informally) of the commencement of any audit, examination or deficiency Action with respect to any such Taxes. References to Taxes in this Section 4.9(d) include, for the avoidance of doubt, Taxes arising in connection with any transfer pricing adjustment and disallowance of any loan relationship debit.

(e) Opal-Re has not received notice of any claim by any taxing authority in a jurisdiction where it does not file Company Tax Returns that it is or may be subject to material Taxation by that jurisdiction.

(f) No Liens for Taxes exist with respect to any of the assets or properties of Opal-Re, except for Permitted Liens.

(g) To the Knowledge of the O-Re Parties, Opal-Re is not liable, nor does Opal-Re have any potential Liability, for the Taxes (or amounts in respect of Taxes including (by way of damages) of another Person (i) under any applicable Tax Law, (ii) as a transferee or successor, or (iii) by Contract, indemnity, representation, warranty or otherwise. To the Knowledge of the O-Re Parties, Opal-Re does not have any Liability to make a payment for or refund of a payment for group relief (within the meaning of Chapter IV of Part X ICTA) or for or in connection with the entering into of a joint election pursuant to the provisions of sections 171A or 179A of the Taxation of Chargeable Gains Act 1992) or paragraph 66 of schedule 29 Finance Act 2002 or in connection with claims pursuant to paragraphs 56 or 57 of schedule 29 Finance Act 2002.

(h) Opal-Re has collected all material sales, use and value added Taxes required to be collected, and has remitted, or will remit within the time and in the manner prescribed by law, such amounts to the appropriate taxing authority and has furnished properly completed exemption certificates for all exempt transactions where applicable.

(i) Neither the signing of this Agreement nor completion of the acquisition of the Opal Shares by the Buyer will give rise to or result in a Tax Liability for Opal-Re (other than any stamp duty reserve tax or stamp duty) by reason of any events or transactions that have occurred prior to the date of such signing or completion, other than any events or transactions involved in, or in connection with, the Company Reorganization.

(j) Opal-Re is, always has been and will be at Closing resident for the purposes of all Taxes in Bermuda only. Opal-Re has never had nor will have at Closing any permanent establishment or other taxable presence in any jurisdiction other than Bermuda.

(k) There are no Employment Related Securities in relation to Opal-Re.

(l) Within 14 days of the acquisition of any Restricted Securities, a valid joint election under section 431(1) ITEPA has been entered into by the relevant employer and the relevant employee or director (or former or prospective employee or director as appropriate).

(m) No Employment Related Securities have been acquired partly-paid or otherwise with all or any part of the purchase price left outstanding after the date on which those securities were acquired and in respect of which at the date hereof continue to be partly-paid or otherwise to have any part of the purchase price left outstanding.

(n) There has been no waiver or forgiveness of the requirement, obligation or undertaking to pay up any outstanding amounts or consideration in respect of any Employment Related Security.

SECTION 4.10. *Assets and Properties.*

(a) Opal-Re (other than insofar as it relates to its Investment Interests) has (i) good and marketable title to all of its material assets and properties (whether real, personal or mixed, or tangible or intangible) (including all assets and properties provided for in the Management Statements, other than assets and properties disposed of in the Ordinary Course of Business since January 31, 2009) and (ii) valid leasehold interests in all of its assets and properties which it leases, in each case (with respect to both clause (i) and (ii) above), free and clear of any Liens, other than Permitted Liens.

(b) Opal-Re does not own any real property which is used by Opal-Re in connection with the conduct of its trade and business.

(c) Other than Investment Interests, Opal-Re's office at 6th Floor, The Argus Building, 12 Wiley Street, Bermuda (the ***"Opal-Re Premises"***) is the only real estate leased, subleased or occupied by Opal-Re.

(d) Opal-Re enjoys peaceful and undisturbed possession of the Opal-Re Premises in all material respects and the Opal-Re Premises are free from mortgages, debentures, charges, rent charges, leases or rights of occupation by third parties, liens or other encumbrances and free from any other matters of an onerous nature which would materially affect their value. Opal-Re has complied and is complying in all material respects with all applicable Laws with respect to the Opal-Re Premises.

(e) Opal-Re has not assigned any leasehold property of which it was the original tenant and in respect of which it entered into a covenant with the landlord to observe and perform the tenant's covenants under that Lease without receiving a full and effective indemnity in respect of its liability under that Lease.

(f) All of the tangible personal assets and properties owned or leased by Opal-Re and which are material to its operation are adequately maintained and are in good operating condition and repair and free from any material defects, reasonable wear and tear excepted.

SECTION 4.11. *Contracts.*

The Company Material Contracts are the only Material Contracts binding on Opal-Re or the assets or property of Opal-Re.

(a) Opal-Re (and, to the O-Re Parties' actual knowledge, each of the other party or parties thereto), has performed all material obligations required to be performed by it under each Company Material Contract. No event has occurred or circumstance exists with respect to Opal-Re or, to the O-Re Parties' actual knowledge, with respect to any other Person that (with or without lapse of time or the giving of notice or both) does or may contravene, conflict with or result in a violation or breach of or give Opal-Re or any other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity of, or to cancel, terminate or modify, any Company Material Contract. No party to any Company Material Contract has repudiated any material provision thereof or terminated any Company Material Contract. All Company Material Contracts are valid and binding on Opal-Re and, to the O-Re Parties' actual knowledge, the other parties thereto, and are in full force and effect, except in each case as would not have a Seller Material Adverse Effect. The O-Re Parties have provided to the Buyer true, accurate and complete copies of all Company Material Contracts.

(b) Other than as set forth in the Disclosure Statement, (i) there are no "change of control" or similar provisions or any obligations arising under any Company Material Contract which are created, accelerated or triggered by the execution, delivery or performance of any Transaction Document or the consummation of the Transaction and (ii) none of the execution, delivery or performance of any Transaction Document or consummation of the Transaction will, under the terms, conditions or provisions of any Company Material Contract (A) require any Consent of, with or to any Person, (B) result in any increase or decrease in any payment or change in any material term or condition, (C) give rise to any right of amendment, termination, cancellation or acceleration of any right or obligation or to a loss of benefit or (D) grant any repayment or repurchase rights to any Person.

(c) Except insofar as it relates to the Investment Business, Opal-Re does not have any earn-out, deferred or contingent payment or similar ongoing obligation payable to any third Person as a result of any contract

entered into in connection with the purchase of any business, corporation, partnership, joint venture, association or other business organization or any division, material assets, operating unit or product line thereof.

SECTION 4.12. *Litigation.*

No judgment, ruling, order, writ, decree, stipulation, injunction or determination by or with any arbitrator, court or other Governmental Entity to which the O-Re Parties or Opal-Re are party or by which the O-Re Parties, Opal-Re or any assets of any thereof is bound, and which relates to or affects Opal-Re, the assets, properties, Liabilities or officers, directors or employees of Opal-Re (in connection with such officer's, director's or employee's capacity as such with Opal-Re), the Business, any Transaction Document or the Transaction, is in effect and neither the O-Re Parties nor Opal-Re are party to or engaged in or, to the Knowledge of the O-Re Parties, threatened with any Action which relates to or affects Opal-Re, the assets, properties, Liabilities or employees of Opal-Re, the Business, any Transaction Document or the Transaction that, in each case has had a Seller Material Adverse Effect.

SECTION 4.13. *Environmental Matters.*

Opal-Re does not have any material Liability under any applicable Environmental Law or under any Contract with respect to or as a result of the presence, discharge, generation, treatment, storage, handling, removal, disposal, transportation or Release of any Hazardous Material.

SECTION 4.14. *Compliance with Applicable Law.*

Each of the O-Re Parties and Opal-Re are in compliance and has complied with all Laws applicable to Opal-Re and the Business, no written claims or written notifications from any Governmental Entities or other Persons have been asserted or received by the O-Re Parties or Opal-Re within the past three years related to or affecting Opal-Re or the Business and, to the Knowledge of the O-Re Parties, no written claims or written notifications are threatened, alleging that the O-Re Parties or Opal-Re are in violation of any Laws or Permits applicable to Opal-Re or the Business, and to the O-Re Parties' Knowledge, no investigation, inquiry, or review by any Governmental Entity with respect to Opal-Re or the Business is pending or threatened, nor has any Governmental Entity notified the O-Re Parties or Opal-Re an intention to conduct any such investigation, inquiry or review, except any non-compliance, written claim, written notification, investigation, inquiry or review that would not have a Seller Material Adverse Effect.

SECTION 4.15. *Permits and Licenses.*

Opal-Re has all the Permits and Licenses (the ***"Company Permits"***) that are necessary for Opal-Re to operate the Business and to own and use its assets in compliance with all Laws applicable to such operation, ownership and use, except where such non-compliance would not have a Seller Material Adverse Effect. All the Company Permits are validly held by Opal-Re and are in full force and effect. Opal-Re has complied in all material respects with all of the terms and requirements of the Company Permits.

SECTION 4.16. *Employee Matters.*

(a) There are no Plans to which Opal-Re contributes or is required to contribute or has any Liability, or which Opal-Re sponsors, maintains or administers applicable to current, former or prospective employees, workers, directors or consultants, or categories of current, former or prospective employees, workers, directors or consultants of Opal-Re.

(b) Opal-Re does not have any obligation to provide post-retirement health or similar benefits to any employees, workers, former employees or workers of Opal-Re.

(c) As of the date hereof, to the Knowledge of the O-Re Parties no employee or group of employees of Opal-Re has given notice to terminate their employment with Opal-Re or, to the Knowledge of the O-Re Parties, intend to do so.

(d) Opal-Re does not engage any consultants or contractors who are paid more than €100,000 annually.

(e) Opal-Re has not made any offers of employment or engagement under a contract for services that remain outstanding and no individuals have accepted such an offer of employment or engagement but are yet to commence work, in each case, with salaries (including bonuses) reasonably expected to be in excess of €50,000 per year.

(f) No employee or former employee of Opal-Re has transferred to Opal-Re as a result of the Acquired Rights Directive (Council Directive 77/187/EEC, amended by Council Directive 98/50/EEC and consolidated by Council Directive 2001/23/EEC) and/or the Transfer of Undertakings (Protection of Employment) Regulations 2006 in the last two years.

(g) Kathryn Siggins is the only person employed by Opal-Re. Kathryn Siggins is employed under the terms of a draft employment contract, a copy of which has been disclosed to the Buyer by the O-Re Parties.

(h) Neither the signing of this Agreement nor the completion of the Transaction shall entitle any employee of, or any individual who is engaged under a contract for services by, Opal-Re to receive any form of bonus, exit or deal remuneration or lead to any other form of payment becoming due to such employee or individual, or accelerating the due date for such payment.

SECTION 4.17. *Insurance.*

(a) The material insurance policies and surety bonds covering Opal-Re in connection with the Business other than the Investment Business ***("Company Insurance Policies")***: (i) are in full force and effect and will not lapse or be subject to suspension, modification, revocation, cancellation, termination or nonrenewal by reason of the execution, delivery or performance of any Transaction Document or consummation of the Transaction; (ii) to the Knowledge of the O-Re Parties insure Opal-Re in reasonably sufficient amounts against all risks usually insured against by Persons operating similar businesses or properties in the localities where such businesses or properties are located, and (iii) are sufficient for compliance with all requirements of Law and Contracts of Opal-Re. Opal-Re is current in all premiums or other payments due under each Company Insurance Policy and has otherwise performed in all material respects all of its respective obligations thereunder. Opal-Re has given timely notice to the insurer under each Company Insurance Policy of all pending material claims known to Opal-Re that may be insured thereby.

(b) Opal-Re has not received during the past three years from any insurance carrier with which it has carried any insurance (i) any refusal of coverage or notice of material limitation of coverage or any notice that a defense will be afforded with reservation of rights in respect of claims that are or would reasonably be expected to be material to Opal-Re, (ii) any notice of cancellation or (iii) any notice that any Company Insurance Policy is no longer in full force or effect or will not be renewed or that the issuer of any Company Insurance Policy is not willing or able to perform its obligations thereunder.

SECTION 4.18. *Transactions with Affiliates.*

(a) Neither the O-Re Parties, Affiliates of the O-Re Parties, directors, officers or employees of Opal-Re or Affiliates of Opal-Re or Affiliates of any directors, officers or employees of Opal-Re owns or has any interest in any Company Material Contract, material tangible asset or material Business Intellectual Property that is used by Opal-Re in the conduct of the Business as it has been conducted prior to the Closing Date (including historical performance records and/or results in Opal-Re's data bases).

(b) Neither the O-Re Parties, Affiliates of the O-Re Parties, directors, officers or employees of Opal-Re or Affiliates of Opal-Re or Affiliates of any directors, officers or employees of Opal-Re owe any Indebtedness to or is owed any Indebtedness from Opal-Re, other than repayment of travel, entertainment and other advances made in the Ordinary Course of Business.

SECTION 4.19. *Guarantees.*

Opal-Re does not have any outstanding guarantees, security interests or indemnities in favor or for the benefit of any Opal Shareholder or Affiliate of any Opal Shareholder, or any director, officer or employee of Opal-Re or Affiliate of Opal-Re or Affiliate of any director, officer or employee of Opal-Re.

SECTION 4.20. *Business Intellectual Property.*

Except as would not have a Seller Material Adverse Effect:

(a) Opal-Re owns or has a valid license or right to use all Business Intellectual Property which it uses in the Ordinary Course of Business.

(b) The Business Intellectual Property is valid, enforceable and subsisting and nothing has been done or omitted to be done which may cause any of it to cease to be so.

(c) No activities or services or processes of Opal-Re infringe or have infringed any intellectual property of any third party.

(d) Opal-Re has a valid license or otherwise has the legal right to use all computer programs owned by a third party which are used by Opal-Re in the Ordinary Course of Business ***("Developed Software")***.

(e) Opal-Re owns or has the legal right to use all computer programs designed, written, developed or configured by, on behalf of, or for the use of, Opal-Re which are used by it in the Ordinary Course of Business, except for any Developed Software.

(f) Opal-Re owns or otherwise has the legal right to use all information technology, telecommunications, network and peripheral equipment used by Opal-Re.

SECTION 4.21. *Certain Business Practices.*

Neither Opal-Re nor any of its respective directors, officers, agents, representatives or employees (in their capacity as directors, officers, agents, representatives or employees) has: (a) used any funds for unlawful contributions, unlawful gifts, unlawful entertainment or other unlawful expenses relating to political activity in respect of the Business; (b) directly or indirectly, paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any finder, agent, or other party acting on behalf of or under the auspices of a governmental official or Governmental Entity, which is in any manner illegal under any applicable Law; or (c) made any payment to any customer or supplier of Opal-Re or any officer, director, partner, employee or agent of any such customer or officer, director, partner, employee or agent for the unlawful reciprocal practice, or made any other unlawful payment or given any other unlawful consideration to any such customer or supplier or any such officer, director, partner, employee or agent, in respect of the Business.

SECTION 4.22. *Pension Scheme.*

(a) Opal-Re does not participate in or contribute to any scheme, agreement or arrangement (whether legally enforceable or not) for the provision of any pension, retirement, death, incapacity, sickness, disability, accident or other like benefits for any employee, director, former employee or former director of Opal-Re (each a ***"Relevant Employee"***) or for the widow, widower, child or dependant of any Relevant Employee.

(b) Opal-Re has not given any undertaking or assurance (whether legally enforceable or not) as to the continuance, introduction, improvement or increase of any benefit of a kind described in sub-paragraph (a) or as to the rights of any Person to receive such benefits, including but not limited to the payment of any unfunded or ex gratia pension by Opal-Re to or in respect of any Person.

ARTICLE V

WARRANTIES OF BUYER

The Buyer warrants to the O-Re Parties, as of the date hereof and as of the Closing Date, that, other than as set forth in the Buyer Disclosure Statement (other than with respect to Sections 5.1, 5.2, 5.3 or 5.4):

SECTION 5.1. *Organization.*

(a) The Buyer is an exempted company duly incorporated and validly existing under the laws of the Cayman Islands. The Buyer has all requisite corporate or other power and authority to own, lease and operate

its assets and properties and to carry on its business as presently conducted and as it will be conducted through the Closing Date. The Buyer is duly qualified to transact business in each jurisdiction in which the ownership, leasing or holding of its properties or the conduct or nature of its business makes such qualification necessary, except where the failure to be so qualified would not have a Buyer Material Adverse Effect. The Organizational Documents, minute books and register of members previously delivered or made available to the O-Re Parties are true and complete copies as amended to date.

(b) The Buyer does not (i) have any Subsidiaries, (ii) own beneficially or otherwise, directly or indirectly, any Equity Securities or ownership interest in, or have any obligation to form or participate in, any other Person or (iii) have any Contract to purchase any such interest, and the Buyer has not agreed and is not obligated to make nor is bound by any Contract or undertaking of any nature under which it may become obligated to make any future Investment in any other Person other than as set forth in this Agreement.

SECTION 5.2. *Authority.*

The Buyer has the corporate power, authority and legal right to execute and deliver each Transaction Document delivered by the Buyer and to perform all of its obligations thereunder.

SECTION 5.3. *Binding Obligation.*

Each Transaction Document to which the Buyer is a party has been duly authorized, executed and delivered by the Buyer and constitutes the legal, valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights in general and by general principles of equity.

SECTION 5.4. *No Breach.*

Other than as set forth in this Agreement, none of the execution, delivery or performance by the Buyer of any Transaction Document delivered or to be delivered by the Buyer or the consummation of the Transaction does or will, with or without the giving of notice or the lapse of time or both (a) require any Permit applicable to the Buyer, or (b) conflict with, or result in a breach or violation of or a default under, or give rise to a right of amendment, termination, cancellation or acceleration of any obligation or to a loss of a benefit under (i) the Organizational Documents of the Buyer, (ii) any Material Contract of the Buyer or (iii) assuming compliance with the matters referred to in Schedule 5.4 of the Pearl Purchase Agreement, any Law, License, Permit or other requirement to which the Buyer's properties or assets are subject, except, in each case, which would not have a Buyer Material Adverse Effect.

SECTION 5.5. *No Brokers.*

There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of the Buyer who is or might be entitled to any fee, commission or payment from the Buyer in connection with the negotiation, preparation, execution or delivery of any Transaction Document or the consummation of the Transaction.

SECTION 5.6. *Governmental Approvals.*

Other than as set forth in this Agreement, including Section 2.3, or as would not have a Buyer Material Adverse Effect, no Consent or Order of, with or to any Governmental Entity is required to be obtained or made by or with respect to the Buyer in connection with the execution, delivery and performance by the Buyer of any Transaction Document or the consummation by the Buyer of the Transaction.

SECTION 5.7. *Capitalization.*

(a) Schedule 9 sets forth (i) the authorized Equity Securities of the Buyer, (ii) the number of Equity Securities of the Buyer that are issued and outstanding, and (iii) the number of Equity Securities of the Buyer that are reserved for issuance, as at the date hereof.

(b) Other than as set forth in Schedule 9 no shares of capital stock or other securities of the Buyer are issued, reserved for issuance or outstanding. All of the outstanding Buyer Ordinary Shares are duly authorized,

validly issued, fully paid and non-assessable and were not issued in violation of, and are not subject to, any preemptive rights. There are no bonds, debentures, notes or other Indebtedness of any type whatsoever of the Buyer having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which any shareholders of the Buyer may vote. Except for the Buyer Warrants, pursuant to the Debt Restructuring and pursuant to the Pearl Purchase Agreement and the rights granted to the O-Re Parties under this Agreement, there are no outstanding options, warrants, calls, demands, stock appreciation rights, Contracts or other rights of any nature to purchase, obtain or acquire or otherwise relating to, or any outstanding securities or obligations convertible into or exchangeable for, or any voting agreements with respect to, any shares of capital stock of the Buyer or any other securities of the Buyer and neither the Buyer nor any of its Affiliates is obligated, pursuant to any securities, options, warrants, calls, demands, Contracts or other rights of any nature or otherwise, now or in the future, contingently or otherwise, to issue, deliver, sell, purchase or redeem any capital stock of the Buyer, any other securities of the Buyer or any interest in or assets of the Buyer to or from any Person or to issue, deliver, sell, purchase or redeem any stock appreciation rights or other Contracts relating to any capital stock or other securities of the Buyer to or from any Person.

(c) The Buyer Ordinary Shares are quoted on the Euronext Amsterdam. There is no Action or proceeding pending or, to the Knowledge of the Buyer, threatened against the Buyer by the Euronext Amsterdam with respect to any intention by such entity to prohibit or terminate the quotation of such securities thereon.

(d) As of the Closing, the Issued Shares will be duly authorized and when issued and delivered in accordance with the terms of this Agreement will be validly issued, fully paid, non-assessable, free and clear of all Liens of any kind other than Permitted Transfer Restrictions, and not issued in violation of, and not subject to, any preemptive right. Upon delivery of the Seller Issued Shares pursuant to this Agreement, the Seller will have good title to the Seller Issued Shares.

(e) Except as disclosed in the Buyer AFM Reports filed prior to the date hereof or as contemplated by the Debt Restructuring, the Pearl Purchase Agreement or Transaction Documents, there are no registration rights, and there is no voting trust, proxy, rights plan, anti-takeover plan or other Contracts or understandings to which the Buyer is a party or by which the Buyer is bound with respect to any Equity Security of the Buyer.

(f) Except as disclosed in the Buyer AFM Reports filed prior to the date of this Agreement, as a result of the consummation of the Transaction, other than pursuant to the Debt Restructuring and the Pearl Purchase Agreement, no shares of capital stock, warrants, options or other securities of the Buyer are issuable and no rights in connection with any shares, warrants, rights, options or other securities of the Buyer accelerate or otherwise become triggered (whether as to vesting, exercisability, convertibility or otherwise).

SECTION 5.8. *Financial Information.*

(a) Set forth in Schedule 10 are (i) the audited balance sheet of the Buyer as of December 31, 2008 and the related audited statements of operations, shareholders' equity and cash flows for the period ended December 31, 2008 (the ***"the Buyer Audited Financial Statements"***) and (ii) the Interim Management Statement for the period 1 January 2009 to 24 April 2009. The Buyer Audited Financial Statements have been prepared from and in accordance with the books, accounts and financial records of the Buyer (which accurately and consistently reflect all material transactions to which the Buyer was a party during the periods set forth) and present fairly, in all material respects, in conformity with IFRS applied on a consistent basis, the financial position of the Buyer as of the dates set forth therein and the Buyer's results of operations and cash flows for the periods set forth therein. The Buyer has established adequate internal controls for companies whose securities are listed on the Euronext Amsterdam for purposes of preparing its periodic financial statements and the Buyer Audited Financial Statements.

(b) The Buyer has no Liabilities of any kind or character, except for Liabilities (i) in the amounts set forth or reserved on the December 31, 2008 balance sheet of the Buyer included, in the Buyer Audited Financial Statements (the ***"December 2008 Balance Sheet"***) or the notes thereto, including contingent liabilities expressly set forth therein, (ii) arising in the Ordinary Course of Business since December 31, 2008 and (iii) Liabilities under the Pearl Purchase Agreement, the Debt Restructuring, this Agreement or the other

Transaction Documents or expressly permitted to be incurred under this Agreement or the other Transaction Documents or, disclosed in this Agreement or the other Transaction Documents or the Schedules and Exhibits to this Agreement or the Buyer Disclosure Statement or the other Transaction Documents.

(c) The Buyer does not now conduct and has never conducted any business or operations and has not engaged in any other material transaction other than valuation and pursuit of transactions such as the Transaction, the Transaction and as set forth in the Buyer AFM Reports filed prior to the date of this Agreement.

Section 5.9. *Absence of Material Adverse Effect and Certain Events.*

(a) No conditions, circumstances or facts exist, and since December 31, 2008, there have not been any events, occurrences, changes, developments or circumstances, which have had a Buyer Material Adverse Effect.

(b) From and after December 31, 2008, the Buyer has conducted its business only in the ordinary course consistent with past practices.

(c) The Buyer has not since December 31, 2008 taken any action of the type referred to in Section 6.1(d).

SECTION 5.10. *Taxes.*

(a) The Buyer has filed all material Tax Returns required to be filed by it ***("Buyer Tax Returns")***. All such Buyer Tax Returns were at the time of filing believed by the Buyer to be correct and complete in all material respects, save to the extent that certain information was disclosed to the applicable taxing authority as outstanding. All Buyer Tax Returns have been timely filed with the appropriate tax authorities in all jurisdictions in which such Buyer Tax Returns are or were required to be filed.

(b) All Taxes due and owing by the Buyer (whether or not shown on any Buyer Tax Returns) have been paid or adequate reserves therefor have been provided for in the Buyer Financial Statements in accordance with applicable generally accepted accounting principles, that the Buyer has adopted, in the jurisdictions in which the Buyer Financial Statements are prepared and filed.

(c) The Buyer has timely withheld any material amounts from its past, present and prospective employees, directors, customers, shareholders, creditors, independent contractors and others from whom it is or was required to withhold Taxes in compliance with all applicable Laws and has timely paid all such withheld amounts to the appropriate taxing authorities.

(d) To the Knowledge of the Buyer, the Buyer does not expect any Governmental Entity to assess any material additional Taxes for it in excess of (i) Taxes for which provision is made in the Buyer Financial Statements and (ii) in respect of the period from December 31, 2008 to Closing, Taxes arising in the Ordinary Course of Business other than Taxes arising from or in connection with the Company Reorganization or the Debt Restructuring. There is no audit, examination, claim, assessment, levy, deficiency, administrative or judicial proceeding, lawsuit or refund Action pending or threatened (either in writing or verbally, formally or informally) with respect to material Taxes for which the Buyer is, or is, to the Knowledge of the Buyer, expected by the Buyer to be, liable, and no taxing authority has given notice (either in writing or verbally, formally or informally) of the commencement of any audit, examination or deficiency Action with respect to any such Taxes. References to Taxes in this Section 5.10(d) include, for the avoidance of doubt, Taxes arising in connection with any transfer pricing adjustment and disallowance of any loan relationship debit.

(e) The Buyer has not received notice of any claim by any taxing authority in a jurisdiction where it does not file Buyer Tax Returns that it is or may be subject to material taxation by that jurisdiction.

(f) No Liens for Taxes exist with respect to any of the assets or properties of the Buyer, except for Permitted Liens.

(g) To the Knowledge of the Buyer, it is not liable, nor does it have any potential Liability, for the Taxes (or amounts in respect of Taxes including by way of damages) of another Person (i) under any applicable Tax

Law, (ii) as a transferee or successor, or (iii) by Contract, indemnity, representation or otherwise. To the Knowledge of the Buyer it has no liability to make a payment for or refund of a payment for group relief (within the meaning of Chapter IV of Part X ICTA) or for or in connection with the entering into of a joint election pursuant to the provisions of sections 171A or 179A of the Taxation of Chargeable Gains Act 1992 or paragraph 66 of schedule 29 Finance Act 2002 or in connection with claims pursuant to paragraphs 56 or 57 of schedule 29 Finance Act 2002.

(h) The Buyer has collected all material sales, use and value added Taxes required to be collected, and has remitted, or will remit within the time and in the manner prescribed by law, such amounts to the appropriate taxing authority and has furnished properly completed exemption certificates for all exempt transactions where applicable.

(i) Neither the signing of this Agreement nor completion of the acquisition of the Opal-Re Shares by the Buyer will give rise to or result in a Tax Liability for the Buyer (other than any stamp duty reserve tax or stamp duty) by reason of any events or transactions that have occurred prior to the date of such signing or completion, other than any events or transactions involved in, or in connection with, the Company Reorganization or the Debt Restructuring.

(j) The Buyer is, always has been and will be at Closing resident for the purposes of all Taxes in its place of incorporation only. The Buyer has never had nor will it have at Closing any permanent establishment or other taxable presence in any jurisdiction other than its place of incorporation.

SECTION 5.11. *Assets and Properties.*

(a) The Buyer has (i) good title to all of its material assets and properties (whether real, personal or mixed, or tangible or intangible) (including all assets and properties recorded on the December 2008 Balance Sheet, other than assets and properties disposed of in the Ordinary Course of Business since December 31, 2008) and (ii) valid leasehold interests in all of its assets and properties which it leases, in each case (with respect to both clause (i) and (ii) above), free and clear of any Liens, other than Permitted Liens.

(b) Except as disclosed in the Buyer AFM Reports, the Buyer does not own or lease nor has it ever owned or leased any real property.

(c) All of the tangible assets and properties owned or leased by the Buyer are adequately maintained and are in good operating condition and repair and free from any material defects, reasonable wear and tear excepted.

SECTION 5.12. *Contracts.*

(a) Schedule 11 lists all of the Material Contracts binding on the Buyer or the assets or property of the Buyer ***("the Buyer Material Contracts")***.

(b) The Buyer (and, to the Buyer's actual knowledge each other party or parties thereto), has performed all obligations required to be performed by it under each Buyer Material Contract. No event has occurred or circumstance exists with respect to the Buyer or, to the Knowledge of the Buyer, with respect to any other Person that (with or without lapse of time or the giving of notice or both) does or may contravene, conflict with or result in a violation or breach of or give the Buyer or any other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity of, or to cancel, terminate or modify, any Buyer Material Contract. No party to any Buyer Material Contract has repudiated any material provision thereof or terminated any Buyer Material Contract. All Buyer Material Contracts are valid and binding on the Buyer and, to the Buyer's actual knowledge, the other parties thereto, and are in full force and effect, except in each case as would not have a Buyer Material Adverse Effect.

(c) (i) There are no "change of control" or similar provisions or any obligations arising under any Buyer Material Contract which are created, accelerated or triggered by the execution, delivery or performance of any Transaction Document or the consummation of the Transaction and (ii) none of the execution, delivery or performance of any Transaction Document or consummation of the Transaction will, under the terms, conditions or provisions of any Buyer Material Contract (A) require any Consent of, with or to any Person,

(B) result in any increase or decrease in any payment or change in any material term or condition, (C) give rise to any right of amendment, termination, cancellation or acceleration of any right or obligation or to a loss of benefit or (D) grant any repayment or repurchase rights to any Person.

(d) Except as set forth in the Buyer AFM Reports filed prior to the date of this Agreement, pursuant to the Debt Restructuring or pursuant to the Pearl Purchase Agreement, there are no Contracts or other understandings, commitments or obligations (including outstanding offers or proposals) of any kind, whether written or oral, to which the Buyer is a party or by or to which any of the properties or assets of the Buyer may be bound, subject or affected, which either (i) creates or imposes a Liability greater than €25,000 or (ii) may not be cancelled by the Buyer on 30 days' or less prior notice without payment of a penalty or premium of any kind.

SECTION 5.13. *Litigation.*

(a) No judgment, ruling, order, writ, decree, stipulation, injunction or determination by or with any arbitrator, court or other Governmental Entity to which the Buyer is party or by which the Buyer or any assets of the Buyer are bound, and which relates to or affects the Buyer, the assets, properties, Liabilities or employees of the Buyer, the business of the Buyer, any Transaction Document or the Transaction is in effect.

(b) The Buyer is not party to or engaged in or, to the Knowledge of the Buyer, threatened with any Action which relates to or affects the Buyer, the assets, properties, Liabilities or employees of the Buyer, the business of the Buyer, any Transaction Document or the Transaction.

SECTION 5.14. *Environmental Matters.*

The Buyer does not have any material Liability under any applicable Environmental Law or under any Contract with respect to or as a result of the presence, discharge, generation, treatment, storage, handling, removal, disposal, transportation or Release of any Hazardous Material.

SECTION 5.15. *Compliance with Applicable Law.*

(a) The Buyer is in compliance and has complied with all Laws applicable to the Buyer and its business, (b) no claims or complaints from any Governmental Entities or other Persons have been asserted or received by the Buyer since formation related to or affecting the Buyer and its business and, to the Knowledge of the Buyer, no claims or complaints are threatened, alleging that the Buyer is in violation of any Laws or Permits applicable to the Buyer and its business and (c) to the Knowledge of the Buyer, no investigation, inquiry, or review by any Governmental Entity with respect to the Buyer and its business is pending or threatened, nor has any Governmental Entity indicated to the Buyer an intention to conduct any such investigation, inquiry or review, except any non-compliance, claim, complaint, investigation, inquiry or review that would not have a Buyer Material Adverse Effect.

SECTION 5.16. *Permits and Licenses.*

The Buyer has all the material Permits and Licenses (the ***"Buyer Permits"***) that are necessary for the Buyer to operate its business and to own and use its assets in compliance with all Laws applicable to such operation, ownership and use, except where such non-compliance would not have a Buyer Material Adverse Effect. All the Buyer Permits are validly held by the Buyer and are in full force and effect. The Buyer has complied in all material respects with all of the terms and requirements of the Buyer Permits.

SECTION 5.17. *Employee Matters.*

As of the date hereof, there are no Persons employed or engaged under a contract for services by the Buyer and there are no Persons who have previously been so employed or engaged. The Buyer has made no offers of employment or engagement pursuant to a contract for services that remains outstanding and no individual has accepted such an offer of employment or engagement but are yet to commence work.

SECTION 5.18. *Insurance.*

(a) The material insurance policies and surety bonds which the Buyer maintains with respect to its assets, Liabilities, employees, officers or directors or business ***("Buyer Insurance Policies")***: (i) are in full force and

effect and will not lapse or be subject to suspension, modification, revocation, cancellation, termination or non-renewal by reason of the execution, delivery or performance of any Transaction Document or consummation of the Transaction; (ii) to the Knowledge of the Buyer insure the Buyer in reasonably sufficient amounts against all risks usually insured against by Persons operating similar businesses or properties in the localities where such businesses or properties are located; and (iii) are sufficient for compliance with all requirements of Law and Contracts of the Buyer. The Buyer is current in all premiums or other payments due under each Buyer Insurance Policy and has otherwise performed in all material respects all of its obligations thereunder. The Buyer has given timely notice to the insurer under each Buyer Insurance Policy of all pending material claims known to the Buyer that may be insured thereby.

(b) The Buyer has not received since its formation from any insurance carrier with which the Buyer has carried any insurance policy (i) any refusal of coverage or notice of material limitation of coverage or any notice that a defense will be afforded with reservation of rights in respect of claims that are or would reasonably be expected to be material to the Buyer, (ii) any notice of cancellation, or (iii) any notice that any Buyer Insurance Policy is no longer in full force or effect or will not be renewed or that the issuer of any Buyer Insurance Policy is not willing or able to perform its obligations thereunder.

SECTION 5.19. *Buyer AFM Reports.*

(a) The Buyer has filed and made available to the O-Re Parties all forms, reports, schedules, statements and other documents, including any exhibits thereto, required to be filed by the Buyer with the AFM since the Buyer's formation (collectively, the ***"Buyer AFM Reports"***). The Buyer AFM Reports, including all forms, reports and documents filed by the Buyer with the AFM after the date hereof and prior to the Closing Date (i) were and, in the case of the Buyer AFM Reports filed after the date hereof, will be, prepared in accordance with the applicable Laws, including, but not limited to, the Dutch Financial Supervision Act (Wet op het financieel toezicht) (the ***"Financial Supervision Act"***) and ancillary regulations and the applicable rules, regulations, announcements and guidelines of NYSE Euronext and the AFM and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), and in the case of such forms, reports and documents filed by the Buyer with the AFM after the date of this Agreement (other than information with respect to Opal-Re and the O-Re Parties contained therein), will not as of the time they are filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated in such Buyer AFM Reports or necessary in order to make the statements in such the Buyer AFM Reports, in light of the circumstances under which they were and will be made, not misleading.

(b) Each of the financial statements (including, in each case, any related notes and schedules) contained in the Buyer AFM Reports, including any Buyer AFM Reports filed after the date of this Agreement (other than information with respect to Opal-Re and the O-Re Parties contained therein), complied or will comply, as of its respective date, in all material respects with all applicable accounting requirements under applicable Laws, including, but not limited to, the Financial Supervision Act and ancillary regulations and the applicable rules, regulations, announcements and guidelines of NYSE Euronext and the AFM, was or will be prepared in accordance with IFRS (except as may be indicated in the notes thereto) applied on a consistent basis throughout the periods involved and fairly presented in all material respects, or will fairly present in all material respects, the financial position of the Buyer as of the respective dates thereof and the results of its operations and cash flows for the periods indicated, except that any unaudited interim financial statements are subject to normal and recurring year-end adjustments which have not been and are not expected to be material in amount, individually or in the aggregate.

(c) The Buyer is in compliance with all applicable corporate governance rules and the listing rules of NYSE Euronext.

SECTION 5.20. *Offering Circular.*

The Offering Circular, as of the date thereof and as of the date of any supplement thereto, did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

ARTICLE VI

COVENANTS

SECTION 6.1. *Conduct of Business.*

Except: (i) as permitted by this Agreement and the Transaction Documents; (ii) as required by Law; (iii) as contemplated by the Debt Restructuring and the Company Reorganization; or (iv) as approved in advance in writing by the Buyer, in the case of (a) through (c) below, or by the Seller in the case of (d) below (in each case, which approval shall not be unreasonably withheld, delayed or conditioned), at all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement or the Closing Date:

(a) the Seller shall cause Opal-Re to, and the Buyer shall, carry on its business in the Ordinary Course of Business.

(b) the Seller shall notify the Buyer in writing prior to Opal-Re taking any of the following actions, or if it is not possible for the Seller to notify the Buyer prior to Opal-Re taking any such actions, the Seller shall notify the Buyer as promptly as practicable following Opal-Re taking of any of the following actions and, in either case (unless the Buyer shall have consented in writing to the taking of any such action) if any of the following actions are taken by Opal-Re, the Buyer's board of directors may withdraw or amend its recommendation that the Buyer Shareholders vote in favor of the adoption of this Agreement and the approval of the Transaction:

(i) propose to adopt any amendments to or amend its Organizational Documents;

(ii) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, other equity-based (whether payable in cash, securities or other property or any combination of the foregoing) commitments, subscriptions, rights to purchase or otherwise) any of its securities;

(iii) acquire or redeem, directly or indirectly, or amend any of its securities;

(iv) split, combine or reclassify any shares of capital stock or other Equity Securities;

(v) propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(vi) (A) incur or assume any long-term or short-term Indebtedness or issue any debt securities;

(vii) except as may be required by applicable Law or to satisfy contractual obligations existing on the date hereof (A) enter into, adopt, amend (including to provide for the acceleration of vesting), modify in any material respect or terminate any Plan, increase in any material manner the compensation or fringe benefits of any consultant, director, officer or employee, (B) pay any special bonus, remuneration or benefit to any director, officer or employee not required by any Plan as in effect as of the date hereof;

(viii) forgive any loans to any of its employees, officers or directors or any of its Affiliates;

(ix) acquire, sell, lease, license or dispose of any material property or assets; except for transactions in the Ordinary Course of Business (including purchases and sales of cash equivalents and other investments in the ordinary course of treasury and cash management operations);

(x) except as may be required to remain in compliance with applicable Laws or UK GAAP or as required by Opal-Re's auditors, make any change in any of the accounting principles or practices used by it;

(xi) other than in the Ordinary Course of Business (which includes for purposes hereof the making of any group relief claims or elections, and any discussions, communications and agreements with HM Revenue & Customs in the Ordinary Course of Business), and except as may be required to remain in compliance with applicable Laws or UK GAAP, make or change any Tax election,

adopt or change any Tax accounting method, settle or compromise any material Tax Liability, or consent to the extension or waiver of the limitations period applicable to a Tax claim or assessment;

(xii) enter into any Contract that would be a Company Material Contract or amend in any material respect any Company Material Contract or grant any release or relinquishment of any material rights under any Company Material Contract, in each case, other than in the Ordinary Course of Business;

(xiii) acquire (by merger, consolidation or acquisition of stock or assets) any other Person or acquire any equity or ownership interest in any other Person, in each case other than in connection with the Investment Business;

(xiv) enter into any related party transaction agreements or arrangements of the kind contemplated by Section 4.18 without prior written consent of the Buyer not to be unreasonably withheld or delayed;

(xv) settle or compromise any pending or threatened Action or pay, discharge or satisfy or agree to pay, discharge or satisfy any Liability, other than the settlement, compromise, payment, discharge or satisfaction of Actions and Liabilities (A) reflected or reserved against in full in the balance sheet included in the Accounts and/or Management Statements as the case may be, (B) covered by existing insurance policies, (C) settled since the respective dates thereof in the Ordinary Course of Business, (D) in any of the settlements or related matters set forth in the Opal-Re Disclosure Statement, or (E) otherwise less than €5,000,000 individually and €10,000,000 in the aggregate;

(xvi) except as required by applicable Law, revalue in any material respect any of its properties or assets, including writing-off notes or accounts receivable other than in the Ordinary Course of Business;

(xvii) declare, make or pay any dividends or distributions (whether in cash, securities or other property) to the holders of its Equity Securities; or

(xviii) enter into a Contract to do any of the foregoing.

(c) The Seller will procure that Opal-Re shall not do any of the following:

(i) propose to adopt any amendments to or amend its Organizational Documents;

(ii) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, other equity-based (whether payable in cash, securities or other property or any combination of the foregoing) commitments, subscriptions, rights to purchase or otherwise) any of its securities;

(iii) acquire or redeem, directly or indirectly, or amend any of its securities;

(iv) split, combine or reclassify any shares of capital stock or other Equity Securities;

(v) propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(vi) declare, make or pay any dividends or distributions (whether in cash, securities or other property) to the holders of its Equity Securities; or

(vii) enter into a Contract to do any of the foregoing.

(d) The Buyer shall not do any of the following:

(i) propose to adopt any amendments to or amend its Organizational Documents (other than as provided in the Pearl Purchase Agreement);

(ii) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, other equity-based (whether payable

in cash, securities or other property or any combination of the foregoing) commitments, subscriptions, rights to purchase or otherwise) any of its securities;

(iii) acquire or redeem, directly or indirectly, or amend any of its securities;

(iv) split, combine or reclassify any of its Equity Securities;

(v) propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(vi) incur or assume any long-term or short-term Indebtedness or issue any debt securities;

(vii) except as may be required by applicable Law, or to satisfy contractual obligations existing on the date hereof: (A) enter into, adopt, amend (including to provide for the acceleration of vesting), modify in any material respect or terminate any Plan, increase in any material manner the compensation or fringe benefits of any consultant, director, officer or employee, or (B) pay any special bonus, remuneration or benefit to any director, officer or employee not required by any Plan as in effect as of the date hereof;

(viii) forgive any loans to any of its employees, officers or directors or any of its Affiliates;

(ix) make any deposits or contributions of cash or other property to, or take any other action to fund or in any other way secure the payment of compensation or benefits under, any Plans, other than deposits and contributions that are required pursuant to the terms of any such Plan or any Contracts subject to any such Plan in effect as of the date hereof or as required by applicable Law;

(x) enter into, amend, or extend any collective bargaining agreement;

(xi) acquire, sell, lease, license or dispose of any material property or assets in any single transaction or series of related transactions;

(xii) except as may be required to remain in compliance with applicable Laws or IFRS, make any change in any of the accounting principles or practices used by it;

(xiii) change any material Tax election, change any Tax accounting method, settle or compromise any material Tax Liability, or consent to the extension or waiver of the limitations period applicable to a material Tax claim or assessment;

(xiv) enter into any Contract that would be a Buyer Material Contract or amend in any material respect any Buyer Material Contract or grant any release or relinquishment of any material rights under any Buyer Material Contract;

(xv) acquire (by merger, consolidation or acquisition of stock or assets) any other Person or any equity or ownership interest therein;

(xvi) settle or compromise any pending or threatened Action or pay, discharge or satisfy or agree to pay, discharge or satisfy any Liability;

(xvii) except as required by applicable Law or IFRS, revalue in any material respect any of its properties or assets, including writing-off notes or accounts receivable other than in the Ordinary Course of Business;

(xviii) declare, make or pay any dividends or distributions (whether in cash, securities or other property) to the holders of its Equity Securities; or

(xix) enter into a Contract to do any of the foregoing or knowingly take any action which is reasonably expected to result in any of the conditions to the consummation of the Transaction not being satisfied, or knowingly take any action which would materially impair its ability to consummate the Transaction in accordance with the terms hereof or materially delay such consummation.

SECTION 6.2. *Proxy Statement; Buyer Shareholders' Meetings.*

(a) The Buyer shall comply with all applicable Laws in the preparation, filing and distribution of the Proxy Statement, the solicitation of proxies thereunder, and the calling and holding of the Buyer Shareholders' Meetings. The O-Re Parties shall, as promptly as practicable after the execution of this Agreement, provide the Buyer with such business description (excluding the financial information) concerning Opal-Re and the O-Re Parties as would be required in connection with the offering of securities for sale in the United Kingdom including the information set forth in Schedule 6.2(f) of the Pearl Purchase Agreement.

(b) The O-Re Parties shall review the Proxy Statement and shall confirm in writing to the Buyer, as of the date of mailing the Proxy Statement to the Buyer Shareholders, that the information relating to the O-Re Parties and Opal-Re contained in the Proxy Statement contains the information required to be provided pursuant to Section 6.2(a) and does not, to the Knowledge of the O-Re Parties, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and does to the Knowledge of the O-Re Parties, contain all price sensitive information (as defined in article 5.53(1) of the Dutch Financial Supervision Act (Wet op het financieel toezicht) of Opal-Re as if Opal-Re were subject to article 5.25i; of the Dutch Financial Supervision Act (the ***"Proxy Confirmation"***). Other than with respect to information provided by the O-Re Parties or Opal-Re, the Buyer shall ensure that the Proxy Statement does not, as of the date on which it is distributed to the Buyer Shareholders, and as of the date of the Buyer Shareholders' Meeting, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

(c) From and after the date on which the Proxy Statement is mailed to the Buyer Shareholders, the O-Re Parties will give the Buyer written notice of any event which is known by the O-Re Parties to cause the Proxy Confirmation to be incorrect or inaccurate in any material respect provided that, upon the occurrence of any such event, the O-Re Parties and the Buyer shall cooperate fully to cause an amendment to be made to the Proxy Statement such that the Proxy Confirmation is no longer incorrect or inaccurate in any material respect with respect to any information concerning Opal-Re or the O-Re Parties required to be included in the Proxy Statement.

SECTION 6.3. *Required Information.*

To the extent permitted by Law,

(a) The O-Re Parties and the Buyer each shall, upon reasonable request by the other, furnish to the other as soon as practicable all reasonable information concerning themselves, their Subsidiaries, Opal-Re, the respective directors, officers, shareholders and partners of Opal-Re and the Buyer (including the directors of the Buyer to be elected effective as of the Closing) and such other matters as may be reasonably necessary or advisable in connection with the Transaction, or any other statement, filing, notice or application made by or on behalf of Opal-Re and the Buyer to any third party and/or any Governmental Entity in connection with the Transaction including any information required for the preparation or submission of any notifications or filings pursuant to Section 2.2(e) or Section 2.3(e) and/or in order to respond to any information or other requests made by any relevant antitrust authorities in order for the relevant waiting periods to terminate or expire and for the approvals and consents to be obtained in accordance with Section 2.2(e) and Section 2.3(e).

(b) From the date hereof through the Closing Date, each of the Buyer and the O-Re Parties will provide to the other and their respective Representatives reasonable access (on not less than 48 hours prior notice) during normal business hours to the properties, books, records, employees of Opal-Re and the Buyer to make or cause to be made such review of the business, the assets, properties and Liabilities and financial and legal condition of Opal-Re and the Buyer as either the Buyer or the O-Re Parties reasonably deem necessary or advisable, *provided*, that any such review shall not interfere unnecessarily with normal operations of Opal-Re or the Buyer.

SECTION 6.4. *Confidentiality.*

(a) Any confidentiality agreement with respect to the Transaction previously executed by the Parties (or any of them) shall be superseded in its entirety by the provisions of this Agreement in so far as it relates to the Buyer but shall continue to apply to the Representatives of the Buyer. Each Party agrees to maintain in confidence any non-public information received from the other Party, and to use such non-public information only for purposes of consummating the Transaction. Such confidentiality obligations will not apply to (i) information which was known to the one Party or its Representatives prior to receipt from the other Party, (ii) information which is or becomes generally known (other than due to a breach of law or other agreement), and (iii) disclosure which the party is reasonably advised is required by Law or the rules and regulations of a stock exchange or trading system provided that, in respect of any disclosures, the provisions of Section 6.6 shall apply mutatis mutandis.

(b) In the event this Agreement is terminated, each Party will, at the request of another Party hereto (i) return or cause to be returned by its Representatives to such Party all documents and other material obtained from such Party in connection with the Transaction and (ii) use its reasonable endeavours to delete from its computer systems all documents and other material obtained from such Party in connection with the Transaction

SECTION 6.5. *Non-Compete; Non-Solicit.*

(a) For a period of one year after the Closing (the ***"Restricted Period"***), the O-Re Parties (the ***"Restricted Parties"***) shall not engage, directly or indirectly, in the purchase, sale or management of funds that are no longer open for the underwriting of new life insurance or life assurance policies (save for instruments and annuities issuable upon the maturity of existing policies) anywhere in the United Kingdom or any other territory in which Opal-Re is, as of the Closing Date, conducting the Business (other than the Investment Business), other than through or pursuant to the operation of the Buyer and its Subsidiaries (including Opal-Re) provided, however, that, for the purposes of this Section 6.5, ownership of securities having no more than five percent of the outstanding voting power of any competitor of the Buyer and its Subsidiaries (including, Opal-Re) which are listed on any national securities exchange shall not be deemed to be in violation of this Section 6.5 as long as the Person owning such securities has no other connection or relationship with such competitor.

(b) As a separate and independent covenant, the Restricted Parties agree with the Buyer that, during the Restricted Period, the Restricted Parties will not in any way, directly or indirectly induce or attempt to induce any officers, employees, representatives or agents of Opal-Re to leave the employ of Opal-Re or violate the terms of their contracts, or any employment arrangements, with Opal-Re.

(c) The Restricted Parties acknowledge that the covenants of the Restricted Parties set forth in this Section 6.5 are an essential element of this Agreement and that, but for the agreement of the Restricted Parties to comply with these covenants, the Buyer would not have entered into this Agreement. The Restricted Parties acknowledge that this Section 6.5 constitutes an independent covenant that shall not be affected by performance or nonperformance of any other provision of this Agreement by the Buyer. The Restricted Parties have independently consulted with their respective counsels and after such consultation agree that the covenants set forth in this Section 6.6 are reasonable and proper.

SECTION 6.6. *Public Disclosure.*

(a) From the date of this Agreement until Closing or termination, the Buyer and the O-Re Parties shall cooperate in good faith to jointly prepare all press releases and public announcements pertaining to this Agreement and the Transaction, and no such Party shall issue or otherwise make any public announcement or communication pertaining to this Agreement or the Transaction without the prior consent of the Buyer (in the case of the O-Re Parties) or the O-Re Parties (in the case of the Buyer). Neither the Buyer nor the O-Re Parties will unreasonably withhold approval from the others with respect to any press release or public announcement. Notwithstanding the foregoing, if any such Party determines with the advice of counsel that it is reasonably required to make this Agreement and the terms of the Transaction public or otherwise issue a press release or make public disclosure with respect thereto, it shall, at a reasonable time before making any

public disclosure, consult with the other Party regarding such disclosure, allow (if possible) the other Party reasonable time to comment on such release or announcement in advance of such issuance, seek such confidential treatment for such terms or portions of this Agreement or the Transaction as may be reasonably requested by the other Party and disclose only such information as is advised is required to be disclosed. This provision will not apply to communications by any Party to its counsel, accountants or financial advisors engaged for this Transaction.

(b) Notwithstanding the foregoing, the Parties agree that as promptly as practicable after the execution of this Agreement, the Buyer will file with the AFM the applicable filing necessary to report the execution of this Agreement, with respect to which the Buyer shall consult with the Seller. The Buyer shall provide to O-Re Parties for review and comment a draft of such report prior to filing with the AFM; *provided that* unless objected to by the O-Re Parties by written notice given to the Buyer within two (2) days after delivery to the O-Re Parties specifying the language to which reasonable objection is taken, any language included in such filing shall be deemed to have been approved by the O-Re Parties and may be filed with the AFM and used in other filings made by the Buyer with the AFM.

SECTION 6.7. *Reasonable Endeavours.*

Upon the terms and subject to the conditions set forth in this Agreement, each of the Parties agrees to use its reasonable endeavours to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Transaction, including using reasonable endeavours to cause the conditions precedent set forth in Section 2.2 or 2.3, as applicable, to be satisfied, provided that the Parties obtain all necessary actions, waivers, consents, approvals, orders and authorizations from Governmental Entities, make all necessary registrations, declarations and filings (including registrations, declarations and filings with Governmental Entities, if any) and take all reasonable steps as may be necessary to avoid any Action by any Governmental Entity.

SECTION 6.8. *Notices of Certain Events.*

From the date hereof through the earlier of the Closing Date or termination of this Agreement, the O-Re Parties will notify the Buyer, and the Buyer will notify the O-Re Parties, of: (a) any notice or other communication from any Person alleging that the Consent of such Person is or may be required in connection with the Transaction where such action would amount to a Seller Material Adverse Effect or Buyer Material Adverse Effect; (b) any notice or other communication from any Governmental Entity in connection with the Transaction; and (c) any Action commenced or threatened in writing, relating to or involving or otherwise affecting Opal-Re, the Buyer, the assets, Liabilities or employees of Opal-Re or the Buyer or the consummation of the Transaction where such action would amount to either a Seller Material Adverse Effect or a Buyer Material Adverse Effect. No notice pursuant to this Section will affect any warranties, covenants, obligations, agreements or conditions set forth herein or otherwise affect any available remedies.

SECTION 6.9. *Advice of Changes.*

The O-Re Parties, on the one hand, and the Buyer, on the other hand, will give prompt notice to the other upon gaining Knowledge of the occurrence, or failure to occur, of any event which would be likely to (a) cause any condition set forth in Section 2.2 or Section 2.3 to become incapable of being fulfilled or materially delayed or (b) give rise to a right to terminate this Agreement. No notice pursuant to this Section will affect any warranties, covenants, agreements, obligations or conditions set forth herein or limit or otherwise affect any available remedies.

SECTION 6.10. *Consents.*

Promptly after the date of this Agreement, the Parties will (a) make all filings required by Law to be made by the O-Re Parties, Opal-Re or the Buyer, as applicable, in connection with the Transaction Documents or the consummation of the Transaction, (b) cooperate with the other Parties with respect to all filings that each such Party reasonably elects to make or is required by Law to make in connection with the Transaction Documents or the consummation of the Transaction and (c) obtain all Consents and Orders of all Persons

required to be obtained in connection with the execution, delivery and performance of the Transaction Documents and the consummation of the Transaction.

SECTION 6.11. *Company Reorganization.*

The O-Re Parties shall use reasonable endeavours to cause Opal-Re to (a) as promptly as practicable following the date hereof prepare the documentation necessary for the Company Reorganization to the reasonable satisfaction of each of the Parties and (b) implement the Company Reorganization in accordance with Schedule 2, and in accordance with the documentation prepared pursuant to clause (a) immediately above. For the avoidance of doubt, nothing in this Section 6.11 shall be deemed to be a warranty that the O-Re Parties can successfully and timely complete the Company Reorganization.

SECTION 6.12. *Governmental Notifications.*

Notification and requests for approval as well as all requests and enquiries from any Governmental Entity which relate to the Transaction shall be dealt with promptly using reasonable endeavours by the Party responsible by Law for making such notification or obtaining such approval and the Parties shall promptly co-operate in good faith with each other and shall provide all necessary information and assistance required by the Governmental Entity upon being reasonably requested to do so by any Party. The Parties will use reasonable endeavours to procure that the conditions to Closing set forth in Sections 2.2 and 2.3 are satisfied as soon as practicable after the date of this Agreement. Without prejudice to the foregoing, the O-Re Parties and the Buyer agrees that all requests and enquiries from any Governmental Entity which relate to the satisfaction of the conditions set out in Section 2.2(h) and Section 2.3(h) shall be dealt with by the O-Re Parties and the Buyer in consultation with each other and the O-Re Parties and the Buyer shall promptly co-operate with and provide all necessary information and assistance reasonably required by such Governmental Entity upon being requested to do so by the other.

SECTION 6.13. *Lock Up/Advanced Distribution.*

(a) For a period of one year from the Closing Date, the Seller shall not (a) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Seller Issued Shares or any Equity Securities which are derived from such Seller Issued Shares or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any Seller Issued Shares or any Equity Securities which are derived from such Seller Issued Shares, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Seller Issued Shares or Buyer Ordinary Shares or such other securities, in cash or otherwise. Notwithstanding the foregoing, the Seller may: (i) sell up to fifty percent (50%) of the Seller Issued Shares or any Equity Securities which are derived from such Seller Issued Shares issued to the O-Re Parties with a value equal to the value of any Tax payable by the O-Re Parties with respect to such Seller Issued Shares; and (ii) sell such further Seller Issued Shares or any Equity Securities which are derived from such Seller Issued Shares so as to take account of any Tax payable by the Seller on any sale referred to in part (i) or in this part (ii) of this Section 6.13, *provided* that the aggregate number of Seller Issued Shares or any Equity Securities which are derived from such Seller Issued Shares sold by the O-Re Parties pursuant to part (i) and part (ii) of this Section 6.13 shall not exceed 50% of the Seller Issued Shares or any Equity Securities which are derived from such Seller Issued Shares issued to the O-Re Parties.

(b) Notwithstanding Section 6.13(a), the parties agree that the Seller shall, as soon as practicable after the Closing, distribute by way of advance liquidation distribution all of the Seller Issued Shares and any Equity Securities which are derived from such Seller Issued Shares to O-Re UK (it being acknowledged that it is proposed to place O-Re Netherlands into liquidation shortly after the Closing). Following such distribution, O-Re UK shall be bound by the restrictions set out in Section 6.13(a) as if references to the Seller in that Section were replaced by references to O-Re UK.

(c) Upon completion of the advance liquidation distribution pursuant to Section 6.13(b): (i) this Agreement shall terminate with respect to the Seller and the Seller shall be released from any and all obligations arising out of or in connection with this Agreement; (ii) all rights and obligations of the Seller

pursuant to or in connection with this Agreement shall be rights and obligations of O-Re UK and O-Re UK shall indemnify and hold harmless the Seller against any claims and liabilities whatsoever in connection with this Agreement; and (iii) all references to the Seller or the O-Re Parties in this Agreement shall be construed as meaning a reference to O-Re UK.

SECTION 6.14. *No-Shop*.

(a) The O-Re Parties agree that, from the date hereof until the earlier of the termination of this Agreement or Closing, they shall use their reasonable endeavours to ensure that neither they, nor any Affiliate thereof shall, nor shall they authorize or permit any Representatives of the O-Re Parties or their respective Affiliates, directly or indirectly, to (a) solicit or initiate or knowingly encourage or otherwise knowingly facilitate (including by way of furnishing information) any inquiries or the implementation or submission of any Seller Competing Transaction (as hereinafter defined), or (b) participate in discussions or negotiations regarding, or furnish to any person any non-public information in connection with, any Seller Competing Transaction. The O-Re Parties shall not and they shall use their reasonable endeavours to ensure that their respective Affiliates do not enter into any letter of intent, acquisition agreement or similar agreement with respect to any Seller Competing Transaction. Notwithstanding the foregoing, if this Agreement is terminated by (a) the O-Re Parties other than for the non-fulfillment of the conditions specified in Section 2.3(a), 2.3(b), 2.3(e), 2.3(f) 2.3(i) or 2.3(j) or (b) by the Buyer for failure of the O-Re Parties to perform their obligations under Section 2.4(b) notwithstanding fulfillment of all of the conditions specified in Section 2.3, then, notwithstanding Section 7.2, this Section 6.14(a) shall survive such termination until December 31, 2009. For the purposes of this Section 6.14(a), ***"Seller Competing Transaction"*** means any proposal or offer from any Person other than the Buyer relating to (a) any direct or indirect acquisition of more than 5% of the assets or Equity Securities of Opal-Re or (b) any merger, consolidation, business combination or other similar transaction relating to Opal-Re provided that (a) and (b) shall not apply to any actions or transactions required pursuant to the Company Reorganization or the Debt Restructuring. The O-Re Parties warrant that there are no existing letters of intent or any other agreements to which the O-Re Parties or Opal-Re are bound with respect to a Seller Competing Transaction.

(b) The Buyer agrees that, from the date hereof until the earlier of the termination of this Agreement or Closing, it shall use its reasonable endeavours to ensure that neither it, nor any Affiliate of it shall, nor shall it authorize or permit any Representatives of the Buyer or its respective Affiliates, directly or indirectly, (a) solicit or initiate or knowingly encourage or otherwise knowingly facilitate (including by way of furnishing information) any inquiries or the implementation or submission of any Buyer Competing Transaction (as hereinafter defined), or (b) participate in discussions or negotiations regarding, or furnish to any person any non-public information in connection with, any Buyer Competing Transaction. The Buyer shall not and it shall use its reasonable endeavours to ensure that its Affiliates do not enter into any letter of intent, acquisition agreement or similar agreement with respect to any Competing Transaction. For the purposes of this Section 6.14(b), ***"Buyer Competing Transaction"*** means any proposal or offer from any Person other than the O-Re Parties relating to (a) any direct or indirect acquisition of more than 5% of the assets or Equity Securities of the Buyer or (b) any merger, consolidation, business combination or other similar transaction relating to the Buyer. The Buyer warrants that there are no existing letters of intent or any other agreements to which the Buyer is bound with respect to a Buyer Competing Transaction.

SECTION 6.15. *PFIC*.

If requested by any direct or indirect shareholders of the Buyer, the Buyer shall, and the O-Re Parties shall at any time in which they control the Buyer, use reasonable endeavours to cause the Buyer to, annually provide to the Buyer Shareholders on a timely basis a "PFIC Annual Information Statement" described in Section 1.1295-1(g)(1) of the United States Treasury Regulations, a "combined PFIC Annual Information Statement" described in Section 1.1295-1(4)(g)(i) of the United States Treasury Regulations or an "Annual Intermediary Statement" described in Section 1.1295-1(4)(g)(ii) of the United States Treasury Regulations, and to provide all other information, statements, representations and certifications and take all such other actions as reasonably required to allow the Buyer Shareholders to make "qualified electing fund" elections pursuant to Section 1295 of the Code and to comply with all requirements relating to such elections.

SECTION 6.16. *Tax Matters*

Each of the O-Re Parties agrees that, if requested by Buyer, and subject to such O-Re Party's costs being borne by Buyer, it will take such reasonable actions or will agree to such reasonable modifications to this Agreement as specifically so requested, to the extent such actions or modifications have no adverse effect on either O-Re Party or Affiliate of either O-Re Party or such adverse effect is ameliorated by Buyer, to (1) structure the Transaction as a "qualified stock-purchase" (within the meaning of Section 338(d) of the Code) of the stock of Opal Re, and (2) cause Opal Re to make an election pursuant to Section 338(g) of the Code. The Sellers shall give no warranty, representation or other assurance with respect to the consequences of any such actions or modifications.

SECTION 6.17. *Guarantee.*

O-Re UK hereby guarantees the full and complete performance by, and shall cause the Seller to comply in all respects with, all of the Seller's obligations under this Agreement.

ARTICLE VII

TERMINATION

SECTION 7.1. *Termination.*

This Agreement may be terminated and the Transaction abandoned at any time prior to the Closing Date:

(a) by the mutual written agreement of the Buyer and the O-Re Parties;

(b) by written notice by the Buyer to the O-Re Parties or by the O-Re Parties to the Buyer, if (i) the Closing Date shall not have occurred on or before the Termination Date, or (ii) the Pearl Purchase Agreement shall have been terminated;

(c) by written notice by the Buyer to the O-Re Parties or by the O-Re Parties to the Buyer, if there shall be any Law that makes consummation of the Transaction illegal or otherwise prohibited or if any court of competent jurisdiction or other Governmental Entity shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting consummation of the Transaction, and such order, decree, ruling or other action shall not be subject to appeal or shall have become final and unappealable;

(d) by written notice by the Buyer to the O-Re Parties if there is a Seller Material Adverse Effect or by written notice by the O-Re Parties to the Buyer if there is a Buyer Material Adverse Effect;

(e) by written notice by the Buyer to the O-Re Parties if Opal-Re, other than in respect of its Investment Business, incurs Financial Indebtedness;

(f) by written notice by the Buyer to the O-Re Parties if the Seller shall have breached the provisions of Section 6.1(c) or the O-Re Parties shall have breached Section 6.14(a);

(g) by written notice by the Seller to the Buyer if the Buyer shall have breached the provisions of Section 6.1(d) or Section 6.14(b); and

(h) by written notice by the Buyer to the O-Re Parties if the Buyer has Knowledge of any condition set forth in Section 2.2 that, in its reasonable discretion, is incapable of being fulfilled or by written notice by any Seller to the Buyer if any Seller has Knowledge of any condition set forth in Section 2.3 that, in its reasonable discretion, is incapable of being fulfilled.

SECTION 7.2. *Effect of Termination.*

In the event of the termination of this Agreement pursuant to Section 7.1, this Agreement (other than those provisions which expressly survive termination of this Agreement) shall thereafter become void and have no effect, without any Liability on the part of any Party or its Affiliates or Representatives in respect thereof, except that nothing herein will relieve any Party from Liability for any breach of this Agreement.

ARTICLE VIII

SURVIVAL AND CLAIMS

SECTION 8.1. *Survival.*

All warranties in this Agreement or the Transaction Documents will survive the Closing; *provided that* no Claim based on a breach of any warranty may be made after the date that is 30 days after the completion and delivery to the Buyer and the Buyer Representative of the Buyer's audited financial statements for the fiscal year ending December 31, 2010 (the ***"Claim Date"***).

SECTION 8.2. *Warranty Claims by Buyer.*

The O-Re Parties and the Pearl Sellers shall be severally liable to the Buyer for any breach of warranty subject to:

(a) the limitations set out in Section 8.1 and Section 8.4;

(b) any matters Fairly Disclosed by or under this Agreement, any Transaction Document, the Opal-Re Disclosure Statement or any Schedule hereto; and

(c) no other statement, promise or forecast made by or on behalf of the O-Re Parties, Opal-Re or their Representatives may form the basis of any breach of warranty claim by the Buyer under or in connection with this Agreement save as set out in Articles III and IV and the Buyer acknowledges and agrees that none of the O-Re Parties, Opal-Re or their Representatives make any warranty or any forecasts, estimates, projections, statement of intent or statement of opinion provided to the Buyer or its Representatives prior to the date of this Agreement (including those in any document provided to the Buyer).

The Buyer acknowledges and agrees that in respect of any Claim, it shall, for so long as the Seller holds the Seller Issued Shares, pursue the Seller only, and, following the transfer of the Seller Issued Share to O-Re UK, pursue O-Re UK only.

SECTION 8.3. *Warranty Claims by O-Re Parties.*

The Buyer shall be liable to the O-Re Parties for any breach of warranty subject to:

(a) the limitations set out in Section 8.1 and Section 8.4;

(b) any matters Fairly Disclosed by or under this Agreement, any Transaction Document, the Buyer Disclosure Statement or any Schedule hereto; and

(c) no other statement, promise or forecast made by or on behalf of the Buyer or its Representatives may form the basis of any breach of warranty claim by the O-Re Parties under or in connection with this Agreement save as set out in Article V and the O-Re Parties acknowledge and agree that neither the Buyer nor its Representatives make any warranty or any forecasts, estimates, projections, statement of intent or statement of opinion provided to the O-Re Parties or their Representatives prior to the date of this Agreement (including those in any document provided to the O-Re Parties).

SECTION 8.4. *Limitations on Liability.*

(a) *Certain Limitations.* Notwithstanding any contrary provision in this Article VIII:

(i) *Time Bar on Claims.* No Claimant will be entitled to any recovery from any Defendant with respect to any Claim under Section 8.2 or 8.3 unless a Notice of Claim has been given on or before the Claim Date.

(ii) *Insurance Recoveries.* Damages relating to any warranty claim hereunder will be decreased by insurance proceeds or payments from any other responsible parties actually received by such Person (after deducting costs and expenses incurred in connection with recovery of such proceeds). If such proceeds are received after settlement of such Claim, the Claimant shall pay such proceeds (less the reasonable cost of expenses of collecting such proceeds) to the Defendant.

(iii) *Claim Threshold.* A Claimant shall not be entitled to make any Claim under, relating to or in connection with Section 8.2 or 8.3 for:

(A) any Claim (other than No Threshold Claims and Tax Claims) that involves Damages of less than €500,000;

(B) any Tax Claim that involves Damages of less than €5,000,000; or

(C) any Claim (other than (i) a Claim related to Seller Designated Warranties or (ii) a Claim related to the Buyer Designated Warranties (the ***"No Threshold Claims"***) until the aggregate amount of all Claims under this Agreement and all claims under the Pearl Purchase Agreement (other than (i) any Claims excluded by clause (A) above and (ii) the No Threshold Claims and excluding No Threshold Claims as defined in the Pearl Purchase Agreement) by such Claimant exceeds €50,000,000 (the ***"Claim Threshold"***)). After the Claim Threshold is exceeded, the Claimant shall be entitled to recover the full amount of Damages in excess of the Claim Threshold.

(iv) *Maximum Liability.* The maximum Liability under this Agreement and the Pearl Purchase Agreement in the aggregate for any and all Claims (and for this purpose including any and all 'Claims' as defined in the Pearl Purchase Agreement) shall in no event exceed:

(A) for the O-Re Parties together with the Pearl Sellers, an aggregate amount equal to 50% of the Claim Reimbursement Shares (with the value of such Claim Reimbursement Shares equal to the value of such Claim Reimbursement Shares as of the Closing Date) issued to either of the O-Re Parties and the Pearl Sellers, except that in the case of any Claim or Claims for breach of a Seller Designated Warranty, such aggregate amount shall be equal to 100% of the Claim Reimbursement Shares (with the value of such Claim Reimbursement Shares equal to the value of such Claim Reimbursement Shares as of the Closing Date) issued to either of the O-Re Parties and the Pearl Sellers; and

(B) for the Buyer, an amount equal to the value of 50% of the Issued Shares (as of the Closing Date), except that in the case of any Claim or Claims for breach of a the Buyer Designated Warranty, such amount shall be equal to 100% of the value of the Issued Shares (as of the Closing Date).

(v) *Tax Adjustment.* The amount of any Damages (***"Payment")*** which is provided for under this Agreement will be (A) increased (but in no event above any maximum Liability set forth in Section 8.4(a)(iv)) to take account of any Tax cost incurred by the recipient of the Payment (***"Recipient"***) arising from the receipt of the Payment hereunder (unless such Payment is treated as an adjustment to the Purchase Price for tax purposes) and (B) reduced to take account of any Saving (as defined below) currently realizable by the Recipient arising from the incurrence or payment of any such Payment. Any Payment made pursuant to this Agreement will be treated as an adjustment to the Purchase Price for Tax purposes unless a determination by the relevant Tax authorities with respect to the Recipient causes any such payment not to constitute an adjustment to the Purchase Price for Tax purposes. ***"Saving"*** means an amount by which the Tax Liability of the Recipient (or group of entities including the Recipient) is reduced (including by deduction, reduction of income by virtue of increased tax basis or otherwise, entitlement to refund, credit or otherwise) plus any related interest received from the relevant taxing authority. Where a Recipient has other losses, deductions, credits or items available to it, the Saving from any losses, deductions, credits or items relating to the Payment shall be deemed to be realized before any other losses, deductions, credits or items are realized. For purposes of this Section 8.4, unless the parties agree to an alternative method for determining the present value of any anticipated Saving, a Saving is "currently realizable" to the extent that it can be reasonably anticipated that such Saving will be realized in the current taxable period or year or in any Tax Return with respect thereto (including through a carryback to a prior taxable period) or in any taxable period or year prior to the date of the Claim. In the event that any Saving is currently realized in a year subsequent to the time when Payment is paid (and no present value adjustment has been made), the Recipient will pay the amount of the Saving to the Defendant at that time. In the event that there should be a determination disallowing the Saving, the

Defendant shall be liable to refund to the Recipient the amount of any related reduction previously allowed or payments previously made to the Defendant pursuant to this Section 8.4(a)(v).

(vi) *Limit on Consequential Damages.* None of the O-Re Parties, the Pearl Sellers or the Buyer shall have any obligation to any Person pursuant to this Agreement against such Person's own consequential or incidental damages arising out of a breach by the O-Re Parties or by the Buyer of their warranties in this Agreement.

(vii) *Sole Remedy.* The provisions of this Article VIII will be the sole and exclusive remedy of the parties hereto for any misrepresentation, breach or inaccuracy of any warranty made by another Party hereto in this Agreement, *provided that* nothing in this Agreement shall limit any rights or remedies of any Party (A) for claims of fraud or (B) which, as a matter of applicable Law or public policy, cannot be limited or waived.

(viii) *Provisions in Company Financial Statements.* No O-Re Party or Pearl Seller shall be liable under this Agreement in respect of any Claim if and to the extent that proper allowance, provision or reserve is made in the Accounts and/or Management Statements for the matter giving rise to the Claim.

(ix) *Matters Arising After the Signing of this Agreement.* No O-Re Party or Pearl Seller shall be liable under this Agreement in respect of any matter, act, omission or circumstance (or any combination thereof), including the aggravation of a matter or circumstance and any Losses arising therefrom, to the extent that the same would not have occurred but for:

(A) any act, omission or transaction done, committed or effected prior to Closing by the Buyer, or its directors, officers, employees, Affiliates or agents or successors in interest outside the Ordinary Course of Business or otherwise than pursuant to a Contract to which the Buyer or Opal-Re is subject;

(B) the passing of, or any change in, after the signing of this Agreement, of any Law including any increase in the rates of Taxation or any imposition of Taxation or any withdrawal of relief from Taxation not actually (or prospectively) in effect at Closing;

(C) any change after the signing of this Agreement of any generally accepted interpretation of any Law;

(D) an act, omission or transaction to which the Buyer has consented in writing prior to the Closing Date.

(x) *Duty to Mitigate.* A Claimant shall procure that all reasonable steps are taken to avoid or mitigate any loss or damage which it may suffer in consequence of any breach by a Defendant of the warranties (not including any Tax warranties) and in relation to any Claim under Section 8.2 or Section 8.3.

(xi) *No double recovery.* The Buyer shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once in respect of the same loss either under this Agreement or in connection with the Pearl Purchase Agreement.

(xii) *Claims to be withdrawn when litigation has commenced.* Any Claim shall (if it has not been previously satisfied or withdrawn) be deemed to have been withdrawn nine months after the notice is given pursuant to Section 8.6 when legal proceedings in respect of it have been commenced by being issued and served.

(xiii) *Tax.* The O-Re Parties shall not be liable in respect of any Tax Claim if and to the extent that (i) any relief, loss, refund or debit for Tax purposes or other Tax benefit, in each case which was not reflected or taken into account in (or in the preparation of) the Accounts, and which did not arise in the Ordinary Course of Business of Opal-Re since December 31, 2008, is available to set against, reduce or otherwise mitigate the Tax Liability the existence of which would, but for this Section 8.4(a)(xiii), give rise to a Tax Claim or (ii) there is any overprovision for Tax (as certified by the auditors from time to

time of Opal-Re) in the Accounts which has not previously been taken into account for the purposes of this Section 8.4(a)(xiii).

(xiv) *Exclusive Claims.* The warranties made in Section 4.9 are the sole and exclusive warranties made by the Seller with respect to Tax matters and the warranties made in Section 5.10 are the sole and exclusive warranties made by the Buyer with respect to Tax matters. No Claim may be made under Section 8.2 or Section 8.3 for breach of any other warranty made in this Agreement, or otherwise, for any Liability, event, circumstance, condition or state of facts, relating to Tax matters, notwithstanding that any Liability, event, circumstance, condition or state of facts does or might result in a breach of any other warranty made in this Agreement, including, in respect of the O-Re Parties, Section 4.7 and, in respect of the Buyer, Section 5.8.

(b) *No Claims.* To the extent the O-Re Parties or the Buyer had the right to terminate this Agreement pursuant to Section 7.1(d) hereof, but opted not to terminate this Agreement and to proceed to Closing, neither such Party shall have the right to bring a Claim hereunder with respect to the events or circumstances which gave rise to the Buyer Material Adverse Effect or Seller Material Adverse Effect, as applicable. To the extent there are circumstances that would give rise to a Claim by the Buyer hereunder, but such circumstances were publicly disclosed or disclosed in writing to each of the Buyer Shareholders and the Requisite Shareholder Approval is nonetheless subsequently obtained and the Parties proceed to Closing, The Buyer may not bring a Claim hereunder with respect to the subject matter of such disclosed information.

(c) *Pro Rata Share.* For the avoidance of doubt, none of the O-Re Parties or Pearl Sellers shall be liable hereunder in respect of any Claim for an amount in excess of a proportion of such Claim equal to the proportion of the Seller Issued Shares, Class B Ordinary Shares and Contingent Agreement Shares received by or to be issued to such O-Re Party or Pearl Seller pursuant to this Agreement, the Pearl Purchase Agreement and the Contingent Purchase Agreement (and in the case of O-Re UK, including any Seller Issued Shares, Class B Ordinary Shares and Contingent Agreement Shares as may have been transferred to it by the Seller) divided by the total number of Seller Issued Shares, Class B Ordinary Shares and Contingent Agreement Shares received by or to be issued to the O-Re Parties and the Pearl Sellers pursuant to this Agreement, the Pearl Purchase Agreement and the Contingent Purchase Agreement.

SECTION 8.5. *Procedure for Third-Party Claims.*

(a) Promptly after a Claimant becomes aware of an Action or potential Action by a third party (a ***"Third Party Claim"***), but in any event within 20 days, with respect to a warranty claim that is or may be made pursuant to Section 8.2 or 8.3 hereof, the Claimant will give notice thereof to the Defendant; *provided, however*, that the failure of the Claimant to notify the Defendant will not relieve the Defendant of any of its obligations hereunder, except to the extent that the Defendant demonstrates that the amount due under any Third Party Claim has been increased in which case the Defendant shall not be liable for such increase.

(b) If any Action referred to in Section 8.5(a) is brought against a Claimant and it gives notice to the Defendant of the commencement of such Action, the Defendant will be entitled to participate in such Action, and the Claimant shall ensure that the Defendant and its Representatives are given all information and facilities to investigate the Claim.

(c) The Claimant shall not admit Liability or make any agreement or compromise in relation to the Third Party Claim without the prior written approval of the Defendant, such approval not to be unreasonably withheld or delayed.

(d) Subject to Claimant being indemnified by the Defendant against all reasonable out of pocket costs and expenses incurred in respect of that Third Party Claim, the Claimant shall take such action as the Defendant may request to avoid, resist, dispute, appeal, compromise or defend the Third Party Claim provided that the Claimant shall not be required to take any action which the Claimant can demonstrate would reasonably be expected to be materially detrimental to the legitimate business interests of any member of the its group or the Claimant or Claimant group's relationship with any Governmental Entity.

(e) Defendant and Claimant agree to provide each other with reasonable access during regular business hours to the properties, books and records and Representatives of the other, as reasonably necessary in connection with the preparation for an existing or anticipated Action involving a Third-Party Claim and its obligations with respect thereto pursuant to this Article VIII.

(f) For purposes of this Section 8.5, any reference to a ***"Claimant"*** and ***"Defendant"*** shall mean (i) in the case of any Claim by or against the Buyer, the Buyer and (ii) in the case of any Claim by or against the O-Re Parties, for so long as it holds the Seller Issued Shares, the Seller and after the Seller Issued Shares have been transferred to O-Re UK in accordance with Section 6.13(b), O-Re UK.

SECTION 8.6. *Claim Procedures.*

The following procedures shall apply to any Claim by the Buyer or the O-Re Parties to the extent that it is not a Third-Party Claim:

(a) *Notice of Claim.* A Notice of Claim shall be given as soon as reasonably practicable, and, in any event within 45 days, after the Claimant determines that it is or may be entitled to bring a Claim pursuant to this Agreement as follows (it being understood that failure to so notify within such 45 day period shall permanently bar such Claim):

(i) in the case of any Claim by the Buyer to the O-Re Parties at the address and in the manner provided in Section 9.6. The O-Re Parties shall be the Defendant solely for purposes of the procedures in this Section, and no Liability in respect of any Claim shall be contested, settled, admitted, litigated or otherwise dealt with by or on behalf of the O-Re Parties by any Person other than the O-Re Parties, but any Amount Payable hereunder shall be handled as provided in the other Sections of this Agreement.

(ii) in the case of any Claim by an O-Re Party against the Buyer, by the O-Re Parties to the Buyer at the address and in the manner provided in Section 9.6. The Buyer shall be the Defendant for purposes of the procedures in this Section, and no Liability in respect of any Claim shall be contested, settled, admitted, litigated or otherwise dealt with by or on behalf of the Buyer by any Person other than the Buyer, but any Amount Payable hereunder shall be handled as provided in the other Sections of this Agreement.

(b) *Dispute Notice.* If the Defendant disputes (i) its liability in respect of any Claim set forth in a Notice of Claim or (ii) the Claim Amount set forth in a Notice of Claim, a Dispute Notice shall be given as soon as practicable, but in no event later than 30 days, after the Notice of Claim is given, as follows:

(i) in the case of any Claim by the Buyer, a Dispute Notice may be given only by the Buyer to the O-Re Parties at the address and in the manner provided in Section 9.6.

(ii) in the case of any claim by the O-Re Parties against the Buyer, a Dispute Notice may be given only by the O-Re Parties to the Buyer at the address and in the manner provided in Section 9.6.

(A) If no Dispute Notice is given within such 30 day period, each claim as set forth in the Notice of Claim, shall be deemed to be agreed, effective on the first day following such 30 day period, and the Claim Amount set forth in the Notice of Claim shall immediately be an Amount Payable of the relevant Defendant.

(B) If a Dispute Notice is given within such 30 day period, then:

(I) The portion, if any, of the Claim Amount which is not disputed in the Dispute Notice shall immediately be an Amount Payable of the relevant Defendant.

(II) The Defendant and the Claimant shall negotiate in good faith to settle the dispute, and the portion, if any, of the Claim Amount which the Defendant and the Claimant agree in writing is payable shall immediately be an Amount Payable of the Defendant.

(III) If the Defendant and the Claimant are unable to resolve any portion of the Claim Amount within two months following the date the Dispute Notice is given, either the Defendant or the Claimant may initiate arbitration proceedings pursuant to the terms of this Agreement to obtain resolution of the dispute.

(IV) If neither the Defendant nor the Claimant initiates arbitration proceedings in respect of the dispute within six months following the date the Dispute Notice is given, the portion of the Claim Amount which is disputed shall not be an Amount Payable, and the Claimant shall have no further right, under this Agreement, to seek to recover such amount from the Defendant or to withhold such amount from any payment otherwise required pursuant to this Agreement.

(V) If the Defendant or the Claimant initiates arbitration proceedings within the six month period specified in Section 8.6(b)(ii)(B)(4), the amount, if any, determined in a Final Determination as payable by the Defendant shall be an Amount Payable of the relevant Defendant as of the date of such Final Order.

(c) Payments of Amounts Payable by the Buyer.

(i) Subject to the limitations in Section 8.4, the Buyer shall pay to the O-Re Parties any Amount Payable by the Buyer, by wire transfer of immediately available Euros (or as otherwise directed pursuant to any Final Order or as otherwise agreed by the Claimant and the Defendant), promptly and in no event later than ten Business Days after such Amount Payable is established in accordance with this Agreement.

(ii) If the Buyer shall fail to pay the O-Re Parties any Amount Payable by the Buyer after such amount is established in accordance with this Agreement, then, subject to the limitations set forth in Section 8.4, the Buyer shall pay to the O-Re Parties in the aggregate fifty percent (50%) of such Amount Payable by the Buyer (such amount to be converted to the currency in which the Buyer Ordinary Shares are denominated on the Business Day before the payment at the closing mid-point rate for conversion of that currency as set forth in the London edition of the Financial Times that Business Day) (each such amount, the ***"Amount Payable by the Buyer"***) within ten Business Days after the expiration of the ten Business Days in which the Buyer is required to make the payment on account thereof. The Buyer shall have the option to pay any such Amount Payable by either (i) wire transfer of funds in the currency determined pursuant to Section 8.6(d) or (ii) executing a share transfer form issuing book entry transfer instructions to transfer to the O-Re Parties in the aggregate that number of the Buyer Ordinary Shares that is equal to (x) that portion of the Amount Payable by the Buyer that the Buyer elects to pay in securities rather than money divided by (y) the Applicable Share Price (as defined below). Notwithstanding anything else to the contrary contained in this Agreement, the aggregate Amount Payable by the Buyer shall not exceed, and the Buyer shall not be obligated to pay to the O-Re Parties, whether in money or securities, more than an amount equal to the product of (i) fifty percent (50%) of the number of the Buyer Ordinary Shares and (ii) the Applicable Share Price.

(d) Payments of Amounts Payable by any Seller and the O-Re Parties.

(i) Subject to the limitations in Section 8.4, each O-Re Party and Pearl Seller shall pay to the Buyer any Amount Payable (such amount to be converted to the currency in which the Buyer Ordinary Shares are denominated on the Business Day before the payment at the closing mid-point rate for conversion of that currency as set forth in the London edition of the Financial Times that Business Day) by such O-Re Party or Pearl Seller, promptly and in no event later than ten Business Days (the ***"Ten Day Period"***) after such Amount Payable is established in accordance with this Agreement, at the option of the O-Re Parties, either (i) by wire transfer of funds in the currency determined pursuant to this Section 8.6(d) or (ii) to the extent Claim Reimbursement Shares are available, by requesting that the Buyer compulsorily redeem or relinquish the right to such number of Claim Reimbursement Shares held by it or to be issued to it that is equal to (x) that portion of the Amount Payable that remains payable *divided by* (y) the Applicable Share Price, as defined below. If

such wire funds transfer is not received or each O-Re Party or Pearl Seller fails to request the Buyer to compulsorily redeem or require the relinquishment of the right to receive the applicable number of Claim Reimbursement Shares for redemption within the Ten Day Period then, notwithstanding the expiration of the provisions of Section 6.13, such number of Claim Reimbursement Shares that is equal to (x) that portion of the Amount Payable that remains payable *divided by* (y) the Applicable Share Price shall automatically be redeemed on the next Business Day following the expiration of the Ten Day Period by operation of Article 8.4 of the amended and restated articles of association of the Buyer which are attached as Exhibit B to the Pearl Purchase Agreement. For the avoidance of doubt, the Claim Reimbursement Shares used to pay any Amount Payable shall be derived pro rata from Seller Issued Shares and Contingent Agreement Shares (with ⅓ of such Contingent Agreement Shares being those payable under Section 1.1(a) of the Contingent Consideration Agreement, ⅓ of such Contingent Agreement Shares being those payable under Section 1.1(b) of the Contingent Consideration Agreement and ⅓ of such Contingent Agreement Shares being those payable under Section 1.1(c) of the Contingent Consideration Agreement).

(ii) For purposes of this Section 8.6(d), the ***"Applicable Share Price"*** shall be an amount equal to the volume weighted average share price of the Buyer Ordinary Shares for (A) the 30 day trading period following the public disclosure of the event giving rise to the Claim or (B) if no public disclosure of such event shall have been made, then the 30 day trading period following delivery of the applicable Notice of Claim.

(iii) In order to assist the Buyer in the collection of any Amounts Payable which may be due from any O-Re Party or Pearl Seller pursuant to this Section 8.6(d), fifty percent (50%) of the Class B Ordinary Shares included in the Claim Reimbursement Shares held by or to be issued to each O-Re Party and Pearl Seller shall not be convertible into the Buyer Ordinary Shares until the Claim Date, after which such Class B Ordinary Shares shall be convertible save for such number of Class B Ordinary Shares with an aggregate value (based on the Applicable Share Price) of any pending Claims made prior to the Claim Date; provided, that to the extent any Amount Payable shall have been paid in cash pursuant to paragraph (d)(i) above, then an amount of Class B Ordinary Shares equal in value to such Amount Payable at the Applicable Share Price may be converted into Ordinary Shares.

SECTION 8.7. *Additional Pearl Sellers*

(a) For the purposes of Article VIII, in the case of Hugh Osmond, Pearl Seller shall also mean Friends Provident International Limited (Professional Portfolio 712132) and, in the case of Alan Macintosh, Pearl Seller shall also mean Friends Provident International Limited (Professional Portfolio 712134).

(b) Subject to the terms of this Article VIII, for all purposes of the payment of any Claims asserted by the Buyer under this Article VIII, the Pearl Sellers hereby agree that all Class B Ordinary Shares and all the Buyer Ordinary Shares issued or to be issued to the Pearl Sellers pursuant to the Pearl Agreement (including all Contingent Agreement Shares issuable to the Pearl Sellers), subject to the provisions of Section 8.4(a)(iv), shall be available to pay a pro rata share of all Claims payable to the Buyer under this Agreement.

SECTION 8.8. *Right to Claim Not Affected by Knowledge or Waiver.*

The right to payment of Damages or other remedy based upon breach of warranties, covenants, agreements or obligations will not be affected by any investigation conducted with respect to, or knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such warranty, covenant, agreement or obligation other than as is disclosed in a Disclosure Statement.

SECTION 8.9. *No Other Warranties.*

(a) Except for the warranties contained in Articles III and IV of this Agreement, neither the O-Re Parties, nor any other Person acting on behalf of the O-Re Parties, has made or is making any warranty, express or implied, concerning the Transaction, the O-Re Parties' Shares or the business, operations, assets, liabilities, condition (financial or otherwise), prospects or any other aspect of Opal-Re.

(b) Except for the warranties contained in Article V of this Agreement, neither the Buyer, nor any other Person acting on behalf of the Buyer, has made or is making any or warranty, express or implied, concerning the Transaction, the Opal-Re Purchase Price, or the business, operations, assets, liabilities, condition (financial or otherwise), prospects or any other aspect of the Buyer.

ARTICLE IX

GENERAL PROVISIONS

SECTION 9.1. *Assignment.*

No Party to this Agreement will convey, assign or otherwise transfer any of its rights or obligations under this Agreement or any other Transaction Document without the prior written consent of the O-Re Parties (in the case of an assignment by the Buyer) or of the Buyer (in the case of an assignment by the O-Re Parties or either of them). Any conveyance, assignment or transfer requiring the prior written consent of the O-Re Parties or the Buyer which is made without such consent will be void *ab initio*. No assignment will relieve the assigning Party of its obligations hereunder or thereunder.

SECTION 9.2. *Parties in Interest.*

This Agreement is binding upon and is for the benefit of the Parties hereto and their respective successors and permitted assigns. A party who is not a party to this Agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999.

SECTION 9.3. *Amendment.*

This Agreement may not be amended, modified or supplemented except by a written agreement executed by the Buyer and the O-Re Parties. Following the Closing, any amendment, modification or supplement shall require the consent of the Buyer Representative.

SECTION 9.4. *Waiver; Remedies.*

No failure or delay on the part of the Buyer or the Buyer Representative, on the one hand, and the O-Re Parties, on the other hand, in exercising any right, power or privilege under this Agreement or any other Transaction Document will operate as a waiver thereof, nor will any waiver on the part of the Buyer, the Buyer Representative or the O-Re Parties of any right, power or privilege under this Agreement or any other Transaction Document operate as a waiver of any other right, power or privilege under this Agreement or any other Transaction Document, nor will any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege under this Agreement or any other Transaction Document. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies which the parties may otherwise have at law or in equity.

SECTION 9.5. *Fees and Expenses.*

The O-Re Parties, on the one hand, and the Buyer, on the other hand, will pay without right of reimbursement from the other all of their respective Transaction Expenses.

SECTION 9.6. *Notices.*

All notices, requests, claims, demands and other communications required or permitted to be given under any Transaction Document shall be in writing and shall be deemed effectively given (a) upon personal delivery to the Party to be notified, (b) when received when sent by e-mail or fax by the Party to be notified; provided, however, that notices given by e-mail or fax shall not be effective unless either (i) a duplicate copy of such

e-mail or fax notice is promptly given by one of the other methods described in this Section 9.6 or (ii) the receiving Party delivers a written confirmation of receipt for such notice either by e-mail, fax or any other method described in this Section 9.6, (c) one Business Day after deposit with a reputable overnight courier, prepaid for overnight delivery and addressed as set forth in this Section 9.6(d), provided that the sending Party receives a confirmation of delivery from the overnight courier service, or (d) three Business Days after deposit with the Royal Mail or other governmental postal service, postage prepaid, registered or certified with return receipt requested and addressed to the Party to be notified at the address indicated for such Party below, or at such other address as such Party may designate by 10 days' advance written notice to the other parties given in the foregoing manner:

If to the Buyer prior to Closing:	Liberty Acquisition Holdings (International) Company c/o Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands Telecopy: +1 345 949 8080 Telephone: +1 345 949 8066 Attention: Martin Franklin
with a copy to:	Greenberg Traurig, LLP Strawinskylaan 3127 1077 ZX Amsterdam The Netherlands Telecopy: +31 20 301 7350 Telephone: +31 20 301 7300 Attention: Bruce I. March
with an additional copy to:	The Buyer Representative as set forth below
If to the O-Re Parties:	O-Re Holdings UK Limited 45 Baker Street London W1U 7BU Telecopy: Telephone: Attention:
with a copy to:	O-Re Netherlands B.V. 7th Floor, Atrium, Strawinskylaan 3105 1077 ZX Amsterdam The Netherlands Attention: Telecopy: E-Mail:
If to the Buyer after Closing or the Buyer Representative:	Ian Ashken c/o Jarden Corporation 555 Theodore Fremd Avenue Rye, New York 10580 Telecopy: +1 914 967 9400 Telephone: +1 914 967 9405

with a copy to:

Greenberg Traurig, LLP
Strawinskylaan 3127
1077 ZX Amsterdam
The Netherlands
Telecopy: +31 20 301 7350
Telephone: +31 20 301 7300
Attention: Bruce I. March

SECTION 9.7. *Entire Agreement.*

This Agreement and the other Transaction Documents collectively constitute the entire agreement between the Parties with respect to the subject matter hereof. This Agreement and the other Transaction Documents supersede all prior negotiations, agreements and understandings of the Parties of any nature, whether oral or written, relating thereto.

SECTION 9.8. *Severability.*

If any provision of this Agreement or any other Transaction Document or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions thereof, or the application of such provision to Persons or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

SECTION 9.9. *Arbitration.*

(a) All disputes arising in connection with this Agreement or any of the other Transaction Document or in connection with the Transaction will be finally settled by arbitration.

(b) The arbitration shall be conducted in accordance with the International Chamber of Commerce ***("ICC")*** arbitration rules as in effect on the date hereof (the ***"ICC Arbitration Rules")***.

(c) The arbitral tribunal shall consist of three (3) arbitrators. Each of the Buyer Representative and the O-Re Parties shall appoint one arbitrator, and the two arbitrators so appointed shall appoint the third arbitrator who shall serve as the chairman of the arbitral tribunal. If a Party fails to appoint its arbitrator within a period of fourteen (14) days after receiving notice of the arbitration, or if the two arbitrators appointed cannot agree on the third arbitrator within a period of fourteen (14) days after appointment of the second arbitrator, then such arbitrator shall be appointed pursuant to the procedures of the ICC. No arbitrator shall be a present or former employee or agent of, or consultant or counsel to, any party hereto or any Affiliate thereof or any applicable Governmental Entity.

(d) The arbitration shall be conducted in English and shall take place in London, England, or such other place as may be mutually agreed by the Parties. The Parties hereby agree that even if any or all arbitration hearings take place outside of England, the seat of the arbitration shall remain in London, England and the laws of England and Wales shall govern the procedure of the arbitration. All documents or evidence presented at such arbitration in a language other than in English shall be accompanied by a certified English translation thereof. The arbitrators shall decide the dispute by majority of the arbitral tribunal and shall state in writing the reasons for its decision. Any monetary award of the arbitral tribunal shall be denominated and payable in Euros and in immediately available funds.

(e) The Parties hereby waive any rights to appeal or to review of such award by any court or tribunal. The Parties further undertake to carry out without delay the provisions of any arbitral award or decision, and each agrees that any such award or decision may be enforced by any competent tribunal.

(f) The costs of such arbitration shall be determined by and allocated between the parties by the arbitral tribunal in its award.

SECTION 9.10. *Exhibits and Schedules; Disclosure.*

(a) All Exhibits and Schedules attached hereto are hereby incorporated in and made a part of this Agreement as if set forth in full herein.

(b) The O-Re Parties shall have the right, at any time through the Business Day prior to the Closing Date, to deliver to the Buyer a supplement to the Opal-Re Disclosure Statement and any Schedule hereto (the ***"Seller Schedule Supplement"***) and any documentation the O-Re Parties believe appropriate (x) to amend the warranties in Section 4.6 to reflect the Company Reorganization, and (y) otherwise, containing any matters occurring after the date hereof which, if occurring prior to the date hereof, would have been required to be set forth or described in the Opal-Re Disclosure Statement and/or such Schedules. For purposes of determining whether the condition set forth in Section 2.2(a) or any other condition to Closing has been satisfied, any Seller Schedule Supplement related to the warranties set forth in Section 4.6 as a result of the Company Reorganization will be taken into account; otherwise, the Seller Schedule Supplement will not be considered when determining whether the condition set forth in Section 2.2(a) or any other condition to Closing has been satisfied. The Seller Schedule Supplement will, however, for purposes of determining whether any Person is entitled to any amounts pursuant to Section 8.2, be deemed to amend the Opal-Re Disclosure Statement and/or Schedules hereto to reflect the matters set forth in the Seller Schedule Supplement.

(c) The Buyer shall have the right, at any time through the Business Day prior to the Closing Date, to deliver to the O-Re Parties a supplement to the Buyer Disclosure Statement, any Schedule hereto (the ***"Buyer Schedule Supplement"***) and any documentation the Buyer believes is appropriate containing any matters occurring after the date hereof which, if occurring prior to the date hereof, would have been required to be set forth or described in the Buyer Disclosure Statement and/or such Schedules. For purposes of determining whether the condition set forth in Section 2.3(a) or any other condition to Closing has been satisfied, any Buyer Schedule Supplement will not be considered when determining whether the condition set forth in Section 2.3(a) or any other condition to Closing has been satisfied. The Buyer Schedule Supplement will, however, for purposes of determining whether any Person is entitled to any amounts pursuant to Section 8.3, be deemed to amend the Buyer Disclosure Statement and/or Schedules hereto to reflect the matters set forth in the Buyer Schedule Supplement.

SECTION 9.11. *Governing Law.*

This Agreement shall be governed by and construed in accordance with the laws of England and Wales.

SECTION 9.12. *Counterparts.*

This Agreement may be executed by facsimile or portable document format (pdf) transmission in separate counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts will together constitute the same agreement.

SECTION 9.13. *Specific Performance.*

In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement or any other Transaction Document, the Party or Parties who are or are to be thereby aggrieved will have the right of specific performance and injunctive relief giving effect to its or their rights under such Transaction Document, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies will be cumulative. The Parties agree that any such breach or threatened breach would cause irreparable injury, that the remedies at law for any such breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived.

SECTION 9.14. *Buyer Representative.*

(a) The Buyer hereby irrevocably makes, constitutes, and appoints Ian Ashken as the representative, agent and true and lawful attorney in fact of and for the Buyer in connection with the Transaction Documents and the Transaction ***("Buyer Representative")***, effective from and after the Closing Date. The Buyer hereby authorizes and empowers the Buyer Representative, from and after the Closing Date, to make or give any approval, waiver, amendment, request, consent, instruction or other communication on behalf of the Buyer as the Buyer could do for itself in relation to or in connection with any Claim. The Buyer authorizes and empowers the Buyer Representative, from and after the Closing Date, to receive all demands, notices or other communications directed to the Buyer under any Transaction Document. The Buyer authorizes and empowers

the Buyer Representative, from and after the Closing Date, to (i) take any action (or to determine to refrain from taking any action) with respect thereto as the Buyer Representative may deem appropriate as effectively as the Buyer could do for itself (including the settlement or compromise of any dispute or controversy), which action will be binding on the Buyer, in all cases only in relation to and in connection with a claim for breach by the O-Re Parties of any of their warranties, covenants or agreements under this Agreement and (ii) execute and deliver all instruments and documents of every kind incident to the foregoing with the same effect as if the Buyer had executed and delivered such instruments and documents personally. Accordingly, any demands, notices or other communications directed to the Buyer hereunder shall be deemed effective if given to the Buyer Representative. The Buyer agrees to be bound by all actions and failures to act of the Buyer Representative in accordance with the provisions of any Transaction Document, including in connection with any settlement or compromise entered into by the Buyer Representative on behalf of the Buyer in relation to any claim for breach by the O-Re Parties of any of their warranties, covenants or agreements under this Agreement.

(b) Upon the death, resignation or incapacity of the Buyer Representative, or at any other time, a successor may be appointed by the individual who was President of the Buyer immediately prior to the Closing, but such appointment will not be effective until such successor shall agree in writing to accept such appointment and notice of the selection of such successor Buyer Representative is provided to the O-Re Parties. If a successor Buyer Representative is not appointed within thirty (30) days after the death, resignation or incapacity of the Buyer Representative or because notice of the selection of a successor Buyer Representative has not been provided to the O-Re Parties, each of the Parties will have a right to petition any court of competent jurisdiction for the appointment of a successor Buyer Representative. Notwithstanding the foregoing, the President of the Buyer may, at any time prior to the Closing Date, designate a successor Buyer Representative, reasonably satisfactory to O-Re Parties.

(c) The Buyer Representative shall have no Liability to the Buyer for any action taken or omitted to be taken hereunder, unless such Liability is determined by a judgment or a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Buyer Representative. Notwithstanding anything else herein to the contrary, the Buyer shall defend, indemnify and hold harmless the Buyer Representative from and against, and shall reimburse the Buyer Representative for any and all Damages arising out of or in connection with, the performance by the Buyer Representative of his duties and obligations pursuant to this Agreement unless such Liability is determined by a judgment or a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Buyer Representative.

(d) For the avoidance of doubt, the execution of this Agreement by the Buyer in relation to the Buyer Representative and Section 9.14 shall hereby constitute a Deed and shall be deemed delivered as of the date of this Agreement.

(e) To the extent the Buyer Representative shall, in good faith and acting reasonably, incur any costs or expenses (including legal fees and expenses) in connection with his activities under this Agreement, including any claim for breach by the O-Re Parties of any of their warranties, covenants or agreements under this Agreement, the Buyer shall promptly pay all such costs and expenses.

(f) The O-Re Parties acknowledge and agree to the provisions of this Section 9.14.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the Parties hereto as of the date first above written and executed as a deed and delivered as at the date hereof by the Buyer and Ian Ashken solely for the purposes articulated in section 9.14.

EXECUTED as a deed by **LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY** acting by a signatory acting under the authority of **LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY**, in the presence of:

Signature /s/ IAN ASHKEN

Print Name IAN ASHKEN

Witness's
Signature /s/ SIMON ARMITAGE

Name SIMON ARMITAGE
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

SIGNED as a deed and **DELIVERED** by **IAN ASHKEN** in the presence of:

/s/ IAN ASHKEN

Witness's
Signature /s/ SIMON ARMITAGE

Print Name SIMON ARMITAGE
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

O-RE HOLDINGS UK LIMITED

By: /s/ EDWARD HAWKES
Name: EDWARD HAWKES
Title: DIRECTOR

Witness's
Signature /s/ DAVID DAVIES

Name DAVID DAVIES
Address 90 HIGH HOLBORN
HIGH HOLBORN
WC1
Occupation SOLICITOR

O-RE HOLDINGS (NETHERLANDS) B.V.

By: /s/ GRAYDON PHILLIP BELLINGAN

/s/ EMILE DONALD UIJLDERT
Name: GRAYDON PHILLIP BELLINGAN
EMILE DONALD UIJLDERT
Title: DIRECTOR A
DIRECTOR B

The Pearl Sellers are a party to this Agreement, which is executed as a Deed and delivered as at the date hereof, solely for the purposes articulated in Article VIII

SUN CAPITAL PARTNERS:

SIGNED as a deed and **DELIVERED**)
by **MATTHEW ALLEN**) /s/ EDWARD HAWKES (AS ATTORNEY)
in the presence of:)

Witness's
Signature /s/ DAVID DAVIES

Print Name DAVID DAVIES
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

SIGNED as a deed and **DELIVERED**)
by **EDWARD HAWKES** in the) /s/ EDWARD HAWKES
presence of:)

Witness's
Signature /s/ DAVID DAVIES

Print Name DAVID DAVIES
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

SIGNED as a deed and **DELIVERED**)
by **MARC JONAS**) /s/ EDWARD HAWKES (AS ATTORNEY)
in the presence of:)

Witness's
Signature /s/ DAVID DAVIES

Print Name DAVID DAVIES
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

SIGNED as a deed and **DELIVERED**)
by **HUGH OSMOND**) /s/ EDWARD HAWKES (AS ATTORNEY)
in the presence of:)

Witness's
Signature /s/ DAVID DAVIES

Print Name DAVID DAVIES
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

SIGNED as a deed and **DELIVERED**)
by **WILLIAM ALAN MCINTOSH**) /s/ EDWARD HAWKES (AS ATTORNEY)
in the presence of:)

Witness's
Signature /s/ DAVID DAVIES

Print Name DAVID DAVIES
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

EXECUTED as a deed by **XERCISE MIDCO LIMITED** acting by its director in the presence of:)

/s/ EDWARD HAWKES (AS ATTORNEY)

Print Name EDWARD HAWKES

Witness's Signature /s/ DAVID DAVIES

Name DAVID DAVIES
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

EXECUTED as a deed by **XERCISE LIMITED** acting by its director in the presence of:)

/s/ EDWARD HAWKES

Print Name EDWARD HAWKES

Witness's Signature /s/ DAVID DAVIES

Name DAVID DAVIES
Address 90 HIGH HOLBORN
HIGH HOLBORN
WC1
Occupation SOLICITOR

EXECUTED as a deed by **TDR CAPITAL NOMINEES LIMITED** acting by its authorized signatory in the presence of:)

/s/ BLAIR THOMPSON

Print Name BLAIR THOMPSON

Witness's Signature /s/ DAVID DAVIES

Name DAVID DAVIES
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

EXECUTED as a deed by **JAMBRIGHT MIDCO LIMITED** acting by its director in the presence of:)

/s/ BLAIR THOMPSON

Print Name BLAIR THOMPSON

Witness's Signature /s/ DAVID DAVIES

Name DAVID DAVIES
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

EXECUTED as a deed by **JAMBRIGHT** LIMITED acting by its director in the presence of:)

/s/ BLAIR THOMPSON

Print Name BLAIR THOMPSON

Witness's Signature /s/ DAVID DAVIES

Name DAVID DAVIES
Address 90 HIGH HOLBORN
LONDON
WC1
Occupation SOLICITOR

Definitions

1.1 ***Defined Terms.*** The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and the plural forms of the terms defined):

"Accounts" means the audited statutory balance sheet and statutory statement of capital and surplus of Opal-re for the financial years ended December 31, 2007 and December 31, 2008, together with the notes, directors' and auditors' reports and all other statements incorporated in or annexed to them.

"Action" means any legal, administrative, governmental or regulatory proceeding or other action, suit, proceeding, claim, arbitration, mediation, alternative dispute resolution procedure, inquiry or investigation by or before any arbitrator, mediator, court or other Governmental Entity.

"Affiliate" means with respect to a specified Person, any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified. For purposes of this definition, "***control"*** of a Person will mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by Contract or otherwise. Notwithstanding the foregoing, each of the Parties agrees that Liberty Acquisition Holdings Corp., a Delaware corporation, shall not be deemed to be an Affiliate of the Buyer for purposes of this Agreement, the other Transaction Documents or the Transaction.

"AFM" means the Netherlands Authority for the Financial Markets, which is the Dutch competent authority for the purpose of implementing relevant measures under Directive 2003/71/EC in the Netherlands.

"Agreement" means this Purchase Agreement, as the same may be amended, modified or supplemented from time to time in accordance with its terms.

"Amount Payable" means any amount of a Claim Amount which has become payable in accordance with Article VIII, having regard to the limitations on Liability set out in Article VIII.

"Amount Payable by the Buyer" has the meaning set forth in Section 8.6(c)(ii).

"Applicable Share Price" has the meaning set forth in Section 8.6(d)(ii).

"Axial" means Axial Investment Management Limited, a private company limited by shares incorporated in England and Wales with registered number 05809046.

"Axial Shareholders Agreement" means a shareholders' agreement relating to Axial dated 29 March 2007.

"Business" means the business and operations of Opal-Re as conducted on the date hereof.

"Business Day" means a day on which banks and stock exchanges are open for business in London (excluding Saturdays, Sundays and public holidays).

"Business Intellectual Property" means intellectual property, trademarks, service marks, trade names, know-how, trade secrets, copyrights and similar intellectual property rights used or required to conduct the Business in the Ordinary Course of Business.

"Buyer" has the meaning set forth in the preamble of this Agreement.

"Buyer Audited Financial Statements" has the meaning set forth in Section 5.8(a).

"Buyer AFM Reports" has the meaning set forth in Section 5.19(a).

"Buyer Competing Transaction" has the meaning set forth in Section 6.14(b).

"Buyer Designated Warranties" means each of the following warranties: (i) the first two sentences of Section 5.1(a); (ii) Section 5.2; (iii) Section 5.3 and (v) Section 5.7.

"Buyer Disclosure Statement" means the Buyer Disclosure Statement dated as of the date hereof as it may be amended or supplemented pursuant to Section 9.10(c).

"Buyer Insurance Policies" has the meaning set forth in Section 5.18(a).

"Buyer Material Adverse Effect" means any fact, circumstance, change or effect that, individually or when taken together with all other such facts, circumstances, changes or effects that exist at the date of determination of the occurrence of the Buyer Material Adverse Effect, has or is reasonably likely to have a material adverse effect on (x) the ability of the Buyer to perform any material obligations under any of the Transaction Documents or (y) the ability of the Buyer to consummate the Transaction in accordance with the Transaction Documents or (z) the business, operations, financial condition or results of operations of the Buyer; *provided, however*, that no facts, circumstances, changes or effects (by themselves or when aggregated with any other facts, circumstances, changes or effects) resulting from, relating, to or arising out of the following shall be deemed to be or constitute a Buyer Material Adverse Effect, and no facts, circumstances, changes or effects resulting from, relating to or arising out of the following (by themselves or when aggregated with any other facts, circumstances, changes or effects) shall be taken into account when determining whether a Buyer Material Adverse Effect has occurred or may, would or could occur: (i) economic, financial or political conditions in any jurisdiction in which the Buyer has substantial business or operations, and any changes therein (including any changes arising out of acts of terrorism, war, weather conditions or other force majeure events), to the extent that such conditions do not have a disproportionate impact on the Buyer; (ii) conditions in the financial markets, and any changes therein (including any changes arising out of acts of terrorism, weather conditions or other force majeure events), to the extent that such conditions do not have a disproportionate impact on the Buyer; (iii) the announcement or pendency of this Agreement and the Transaction; (iv) changes in Law or IFRS (or any interpretations of IFRS) applicable to the Buyer; or (v) compliance by the Buyer with the express terms of this Agreement or the failure by the Buyer to take any action that is prohibited by this Agreement. A Buyer Material Adverse Effect shall also include the Buyer Ordinary Shares ceasing to be admitted to listing on the NYSE Euronext.

"Buyer Material Contracts" has the meaning set forth in Section 5.12(a).

"Buyer Ordinary Shares" means the ordinary shares of the Buyer with nominal value of €0.0001 per share.

"Buyer Permits" has the meaning set forth in Section 5.16.

"Buyer Representative" has the meaning set forth in Section 9.14(a).

"Buyer Schedule Supplement" has the meaning set forth in Section 9.10(c).

"Buyer Shareholders" means holders of Buyer Ordinary Shares.

"Buyer Shareholders' Meeting" has the meaning set forth in the Pearl Purchase Agreement.

"Buyer Tax Returns" has the meaning set forth in Section 5.10 (a).

"Buyer Warrants" means warrants to purchase the Buyer Ordinary Shares issued by the Buyer.

"Claim" means a written notice, asserting a breach of warranty, covenant, agreement or other obligation contained in this Agreement or in any other Transaction Document, or any claim for indemnification or tax gross up pursuant to this Agreement.

"Claimant" has the meaning set forth in Section 8.5(f).

"Claim Amount" means the amount of Damages claimed in any Notice of Claim, which amount, if not finally determined, may be a good faith estimate of the Damages that may be awarded to, or receivable by, a Claimant pursuant to such Claim.

"Claim Date" has the meaning set forth in Section 8.1.

"Claim Reimbursement Shares" means the Seller Issued Shares, the Class B Ordinary Shares issued pursuant to the Pearl Purchase Agreement and the Buyer Ordinary Shares issued pursuant to the Contingent Consideration Agreement.

"Claim Threshold" has the meaning set forth in Section 8.4(a)(iii)(C).

"Class B Ordinary Shares" means the newly created Class B Ordinary Shares of Buyer with nominal value of €0.0001 per share.

"Closing" has the meaning set forth in Section 2.4(a).

"Closing Date" means the date and time when the Closing occurs.

"Code" means the Internal Revenue Code of the United States, as amended.

"Company Designated Warranties" means each of the following warranties: (i) Section 3.1; (ii) Section 3.2 and (iii) the first two sentences of Section 4.1.

"Company Insurance Policies" has the meaning set forth in Section 4.17(a).

"Company Material Contracts" means the contracts listed in Schedule 8.

"Company Permits" has the meaning set forth in Section 4.15.

"Company Reorganization" means the reorganization of Opal-Re and its Affiliates described in Schedule 3.

"Company Tax Returns" has the meaning set forth in Section 4.9(a).

"Consents" means all consents, waivers, approvals, requirements, allowances, novations, authorizations, declarations, filings, registrations and notifications.

"Contingent Agreement Shares" means all Buyer Ordinary Shares issued pursuant to the Contingent Consideration Agreement.

"Contingent Consideration Agreement" has the meaning set forth in the Pearl Purchase Agreement.

"Contract" means, with respect to any Person, all agreements, contracts, obligations, commitments and arrangements (whether written or oral) (i) to which such Person is a party, (ii) under which such Person has any rights, (iii) under which such Person has any Liability, or (iv) by which such Person, or any of the assets or properties owned or used by such Person, is bound, including, in each case, all amendments, modifications and supplements thereto.

"Damages" means all losses, Liabilities, claims, damages, deficiencies, obligations, fines, payments (including incidental and consequential damages), expenses (including reasonable costs of investigation and defense and reasonable fees and expenses of legal counsel, accountants and other professional advisors), actions, causes of action, assessments, judgments, amounts paid in settlement or diminutions in value, whether or not involving a Third-Party Claim.

"Debt Restructuring" has the meaning set forth in the Pearl Purchase Agreement.

"December 2008 Balance Sheet" has the meaning set forth in Section 5.8.

"Defendant" has the meaning set forth in Section 8.5(f).

"Developed Software" has the meaning set forth in Section 4.20(d).

"Disclosure Statements" means the Opal-Re Disclosure Statement and Buyer Disclosure Statement.

"Employment Related Securities" means employment-related securities (as defined in section 421B(8) ITEPA) or securities options (as defined in Section 471 ITEPA) acquired since April 15, 2003 in relation to which Opal-Re is, has been or will be the employer (as defined in section 421B(8) ITEPA) and which, as at the date hereof, are held by any current, former or prospective employee, director or officer of Opal-Re.

"Environmental Laws" means any and all applicable Laws and Permits issued, promulgated or entered into by any Governmental Entity relating to the environment, the protection or preservation of human health or safety, including the health and safety of employees, the preservation or reclamation of natural resources, or the treatment, storage, disposal, management, Release or threatened Release of Hazardous Materials, in each case as in effect on the date hereof and as may be issued, promulgated or amended from time to time.

"Equity Securities" means, with respect to any Person, any of its shares, capital stock, partnership interests (general or limited), limited liability company interests, trust interests or other securities which entitle the holder thereof to participate in the earnings of such Person or to receive dividends or distributions on liquidation, winding up or dissolution of such Person, or to vote for the election of directors or other management of such Person, or to exercise other rights generally afforded to stockholders of a corporation.

"Fairly Disclosed" shall mean a matter disclosed, only to the extent that accurate information is provided about that matter and in sufficient detail to reasonably identify the nature and scope of the matter and any matter so disclosed for the purposes of any warranty shall be deemed disclosed for any other warranties to the extent that the applicability of such disclosure is reasonably apparent.

"Final Order" means a final order of a court of competent jurisdiction, (i) from which there is no right of appeal to a higher court, or (ii) with respect to which either (A) all applicable time periods during which an appeal may be made have expired or (B) a period of six months has elapsed from the date on which the order which would otherwise be the subject of the appeal was issued and no appeal has been taken, whichever is the earliest to occur.

"Financial Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(i) the principal of, interest on and premium (if any) in respect of indebtedness of such Person for borrowed money;

(ii) the principal of, interest on and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; and

(iii) the principal component of all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including reimbursement obligations with respect thereto except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 90 days of incurrence).

"Financial Supervision Act" has the meaning given to such term in Section 5.19(a) .

"FSA" means the Financial Services Authority.

"FSMA" means the Financial Services and Markets Act 2000.

"Full Title Guarantee" has the meaning given to such term in the Law of Property (Miscellaneous Provisions) Act 1994.

"Governmental Entity" means, in any jurisdiction, any (i) federal, state, local, foreign or international government, (ii) court, arbitral or other tribunal, (iii) governmental or quasi-governmental authority of any nature (including any political subdivision, instrumentality, branch, department, official or entity), or (iv) agency, commission, authority or body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

"Hazardous Materials" means those materials, substances, biogenic materials or wastes that are regulated by, or form the basis of Liability under, any Environmental Law, including PCBs, pollutants, solid wastes, explosive, radioactive or regulated materials or substances, hazardous or toxic materials, substances, wastes or chemicals, petroleum (including crude oil or any fraction thereof) or petroleum distillates, asbestos or asbestos containing materials.

"Hedging Obligations" means, with respect to any Person, (i) any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary and (ii) any foreign exchange contract, currency swap agreement, futures contract, option contract or other similar agreement as to which such Person is a party or a beneficiary.

"ICC" has the meaning set forth in Section 9.9(b).

"ICC Arbitration Rules" has the meaning set forth in Section 9.9(b).

"ICTA" means the Income and Corporation Taxes Act 1988.

"IFRS" means International Financial Reporting Standards as adopted by the European Union.

"Implementation Agreement" has the meaning set forth in the Pearl Purchase Agreement.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(i) Financial Indebtedness;

(ii) capitalized lease obligations of such Person;

(iii) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables);

(iv) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any preferred stock;

(v) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however,* that the amount of such Indebtedness will be the lesser of (A) the fair market value of such asset at such date of determination and (B) the amount of such Indebtedness of such other Persons;

(vi) the principal component of Indebtedness of other Persons to the extent guaranteed by such Person;

(vii) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time); and

(viii) the amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum Liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

In addition, "Indebtedness" of any Person includes Indebtedness described in the preceding paragraph that would not appear as a Liability on the balance sheet of such Person if:

(i) such Indebtedness is the obligation of a partnership or joint venture (a ***"Joint Venture"***) for which such Person is a general partner of the Joint Venture (a ***"General Partner"***); and

(ii) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person; and then such Indebtedness shall be included in an amount not to exceed:

(A) the lesser of (x) the net assets of the General Partner and (y) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person; or

(B) if less than the amount determined pursuant to clause (A) immediately above, the actual amount of such Indebtedness that is recourse to such Person, if the Indebtedness is evidenced by writing and is for a determinable amount.

Notwithstanding the foregoing, "Indebtedness" does not include:

(i) contingent obligations incurred in the Ordinary Course of Business and not in respect of borrowed money;

(ii) deferred or prepaid revenues;

(iii) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the respective seller;

(iv) any obligations to make progress or incentive payments or risk money payments under any contract to the extent not overdue by more than 90 days;

(v) advance payments by customers in the Ordinary Course of Business for services or products to be provided or delivered in the future; or

(vi) deferred Taxes.

"Investment" of a Person means (i) any loan, advance (other than commission, travel and similar advances to officers and employees made in the Ordinary Course of Business), extension of credit (other than accounts receivable arising in the Ordinary Course of Business on terms customary in the trade and loans to employees in the ordinary course of business) or contribution of capital by such Person, (ii) equity securities owned by such Person, (iii) any deposit accounts and certificates of deposit owned by such Person, and (iv) structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

"Investment Business" means (i) the effecting and carrying out of contracts of insurance and all asset and liability management activities related thereto and (ii) management of investments on behalf of third parties.

"Investment Interest" means any interest right or title in any asset (a) held in the long term fund of Opal-Re which is an authorized insurance company or otherwise held in respect of such company's insurance liabilities or (b) arising in the case of Opal-Re carrying out investment management activities, in the ordinary course of its activities as nominee or investment manager.

"Issued Shares" has the meaning set forth in Section 2.1(c).

"ITEPA" means the Income Tax (Earnings and Pensions) Act 2003.

"Knowledge" means (i) with respect to the O-Re Parties, the actual knowledge of O-Re Parties after having made diligent inquiry of each of the Persons set forth on Schedule B1 of the Pearl Purchase Agreement (based upon the actual knowledge of the Persons set forth on Schedule B1 of the Pearl Purchase Agreement and (ii) with respect to the Buyer, the knowledge of each of the Persons set forth on Schedule B1 of the Pearl Purchase Agreement (A) if any of them is actually aware of such fact or other matter or (B) if any of them could be expected to discover or otherwise become aware of such fact or other matter through the diligent exercise of their duties as officers, directors and employees of the Buyer.

"Laws" means all laws, principles of common law, statutes, constitutions, treaties, rules, regulations, ordinances, codes, rulings, Orders, Licenses and determinations of all Governmental Entities.

"Lease" means any lease, sublease, license, right to occupy or use and other Contracts with respect to real property, including, in each case, all amendments, modifications and supplements thereto and waivers and consents thereunder.

"Liability" means any and all claims, debts, liabilities, obligations and commitments of whatever nature, whether known or unknown, asserted or unasserted, fixed, absolute or contingent, matured or unmatured, accrued or unaccrued, liquidated or unliquidated or due or to become due, and whenever or

however arising (including those arising out of any Contract or tort, whether based on negligence, strict liability or otherwise) and whether or not the same would be required by UK GAAP (in the case of Opal-Re) or IFRS (in the case of the Buyer) to be reflected as a Liability in financial statements or disclosed in the notes thereto.

"Licenses" means all Consents, licenses, permits, certificates, variances, exemptions, franchises and other approvals or authorizations issued, granted, given, required or otherwise made available by any Governmental Entity.

"Lien" means any charge, adverse claim, or other claim, community property interest, condition, equitable interest, lien, encumbrance, option, proxy, pledge, security interest, mortgage, right of first refusal, right of first offer, third party rights, retention of title agreement, defect of title or other restriction of any kind or nature, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership or any other encumbrance or security interest of any kind (including any liability imposed or right conferred by or under any Law) or any other type of preferential arrangement (including a title transfer or retention arrangement).

"Management Statements" means the unaudited investment reports for the period from 30 December 2008 and ended 30 April 2009 prepared by Axial in relation to Opal-Re, prepared on the same basis as equivalent previous investment reports.

"Mandatory Redemption" has the meaning set forth in the Pearl Purchase Agreement.

"Material Contract" means:

(i) with respect to Opal-Re (other than insofar as it relates to their Investment Interests):

(a) all Contracts for the lease (whether as lessor or lessee) of personal property to or from Opal-Re;

(b) all Contracts for the purchase or sale of property, or for the furnishing or receipt of services, including customer, supply or consulting Contracts;

(c) all Contracts concerning a partnership, joint venture, joint development or other cooperation arrangement;

(d) all Contracts with any Governmental Entity;

(e) all Contracts relating to or evidencing Indebtedness of Opal-Re;

(f) all Contracts that create, establish or define the terms and conditions of, govern the transfer, voting, economic or other rights of holders of, or otherwise relate to Equity Securities issued by Opal-Re, other than the Organizational Documents of Opal-Re;

(g) all Contracts under which (A) any Person has directly or indirectly guaranteed any Liabilities of Opal-Re;

(h) all Contracts under which Opal-Re has directly or indirectly made any advance, loan, extension of credit or capital contribution;

(i) all Contracts providing for or granting a Lien upon any assets or properties of Opal-Re;

(j) all Contracts providing for indemnification of any Person with respect to Liabilities relating to any current business of Opal-Re or any predecessor Person (other than customary indemnification provisions contained in Contracts with customers or suppliers in the Ordinary Course of Business);

(k) all Contracts for the purchase or sale of any business, corporation, partnership, joint venture, association or other business organization or any division, material assets, operating unit or product line thereof and under which Opal-Re retains current or potential liabilities to any other Person;

(l) all Contracts which (A) provide for the payment of performance, management or transaction fees to Opal-Re for investment management services provided to investment funds and managed accounts managed by Opal-Re and (B) resulted in payments of such fees to Opal-Re;

(m) all Contracts which limit or purport to limit the ability of Opal-Re to compete in any line of business or with any Person or in any geographic area or which limit or purport to limit or restrict the ability of Opal-Re with respect to the development, marketing, sale or distribution of, or other rights with respect to, any products or services;

(n) all Contracts containing any restrictions with respect to payment of dividends or any other distributions in respect of the capital stock or Equity Securities of Opal-Re.

(ii) with respect to the Buyer (other than the Pearl Purchase Agreement and the documents and agreements under the Debt Restructuring):

(a) any "material contact" as such term is defined by AFM;

(b) all Contracts for the lease (whether as lessor or lessee) of personal property to or from the Buyer which provide for lease payments in excess of €50,000 during any year;

(c) all Contracts for the purchase or sale of property, or for the furnishing or receipt of services, including customer, supply or consulting Contracts, which provide for payments to or from the Buyer of €50,000 during any year or more;

(d) all Contracts concerning a partnership, joint venture, joint development or other cooperation arrangement;

(e) all Contracts with any Governmental Entity;

(f) all Contracts relating to or evidencing Indebtedness of the Buyer (or the creation, incurrence, assumption, securing or guarantee thereof);

(g) all Contracts that create, establish or define the terms and conditions of, govern the transfer, voting, economic or other rights of holders of, or otherwise relate to Equity Securities issued by the Buyer, including the Organizational Documents of the Buyer;

(h) all Contracts under which (A) any Person has directly or indirectly guaranteed any Liabilities of the Buyer or (B) the Buyer has directly or indirectly guaranteed any Liabilities of any Person (in each case other than endorsements for the purpose of collection in the ordinary course of business);

(i) all Contracts under which the Buyer has directly or indirectly made any advance, loan, extension of credit or capital contribution to, or other Investment in, any Person, including employees, or which involve a sharing of profits, losses, costs or Liabilities by the Buyer with any other Person;

(j) all Contracts providing for or granting a Lien upon any assets or properties of the Buyer;

(k) all Contracts providing for indemnification of any Person with respect to Liabilities relating to any current or former business of the Buyer or any predecessor Person (other than customary indemnification provisions contained in Contracts with customers or suppliers that are disclosed under clause (b) above);

(l) all Contracts providing for or containing confidentiality and non-disclosure obligations (other than (A) standard non-disclosure forms signed by employees generally, copies of which have been provided to the Buyer and (B) customary confidentiality or non-disclosure provisions contained in Contracts with customers or suppliers that are disclosed under clause (b) above);

(m) all Contracts for the purchase or sale of any business, corporation, partnership, joint venture, association or other business organization or any division, material assets, operating unit or product line thereof;

(n) all Contracts which limit or purport to limit the ability of any of Buyer to compete in any line of business or with any Person or in any geographic area or which limit or purport to limit or restrict the ability of the Buyer with respect to the development, marketing, sale or distribution of, or other rights with respect to, any products or services;

(o) all Contracts containing any restrictions with respect to payment of dividends or any other distributions in respect of the capital stock or Equity Securities of the Buyer; and

(p) all Contracts which are otherwise material to the Buyer which are not described in any of the categories specified above.

"No Threshold Claims" has the meaning set forth in Section 8.4(a)(iii)(C).

"Notice of Claim" means a written notice of a Claim pursuant to this Agreement that (i) sets forth in reasonable detail (to the extent reasonably practicable) the basis for such Claim, (ii) sets forth the Claim Amount (to the extent reasonably able to be calculated at such time), and (iii) sets forth the name of any Person against whom the Claim is being made.

"Off Balance Sheet Arrangement" means any transaction, agreement or other contractual arrangement which is not already reflected in the Accounts and/or the Management Statements to which an entity unconsolidated with either of the Seller or its Subsidiaries is a party, under which Opal-Re has: (a) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets; (b) any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument, except that it is both indexed to Opal-Re's own stock and classified in stockholders' equity in Opal-Re's Accounts; or (c) any obligation, including a contingent obligation in an unconsolidated entity that is held by, and material to, Opal-Re, where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with Opal-Re.

"Offering Circular" means the Buyer's offering circular dated January 25, 2008, as supplemented.

"Opal-Re" means Opal-Reassurance Limited, an exempted company incorporated in Bermuda with registered number 39187.

"Opal-Re Disclosure Statement" means the disclosure statement of O-Re Parties dated as of the date hereof as it may be amended or supplemented pursuant to Section 9.10(b).

"Opal-Re Purchase Price" has the meaning set forth in Section 2.1(c).

"Opal Shareholder" means the entities and individuals listed as such in Schedule 7 and such other Persons as may be the registered holders of Opal Shares at the Closing.

"Order" means any award, decision, stipulation, injunction, judgment, order, ruling, subpoena, writ, decree or verdict entered, issued, made, or rendered by any Governmental Entity.

"Ordinary Course of Business" means any action taken by a Person that is: (i) consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person; and (ii) similar in nature and magnitude to actions customarily taken in the ordinary course of the normal day-to-day operations of the other Persons that are in the same line of business as such Person.

"O-Re Parties" has the meaning set forth in the preamble to this Agreement.

"Organizational Documents" means, with respect to any Person, its certificate or articles of incorporation, its by-laws, its memorandum and articles of association, its limited liability company agreement or operating agreement, its certificate of formation, its partnership or limited partnership

agreement, its trust indenture or agreement or other documentation governing the organization or formation of such Person, but not any shareholder, registration rights, subscription or other Contract to which such Person may become a party after its formation or organization.

"Parties" means each of the parties to this Agreement.

"Payment" has the meaning set forth in Section 8.4 (a)(v).

"Pearl Purchase Agreement" means that purchase agreement dated on or around the date hereof, among, *inter alia*, the Buyer, Xercise Midco Limited, Xercise Limited and TDR Capital Nominees Limited.

"Pearl Sellers" has the meaning set forth in the preamble to this Agreement.

"Permits" means all Consents, licenses, permits, certificates, variances, exemptions, franchises and other approvals issued, granted, given, required or otherwise made available by any Governmental Entity.

"Permitted Liens" means, with respect to any Person, Liens for (i) Taxes, assessments and other governmental charges, if such Taxes, assessments or charges shall not be due and payable or which the Person is contesting in good faith and for which adequate reserves have been established and (ii) inchoate workmen's, repairmen's or other similar Liens arising or incurred in the Ordinary Course of Business consistent with past practices in respect of obligations which are not overdue, minor title defects and recorded easements, which workmen's, repairmen's or other similar Liens, minor title defects and recorded easements do not, individually or in the aggregate, impair the continued use, occupancy, value or marketability of title of the property to which they relate or the Business, assuming that the property is used on substantially the same basis as such property is currently being used by Opal-Re.

"Permitted Transfer Restrictions" means restrictions on transfer of Equity Securities or other securities under (i) the United States Securities Act of 1933, FSMA and any other Law that may apply to a transfer of securities contemplated by this Agreement and (ii) the Organizational Documents of Opal-Re and the Buyer.

"Person" means any individual, sole proprietorship, firm, corporation (including any non-profit corporation and public benefit corporation), general or limited partnership, limited liability partnership, joint venture, limited liability company, estate, trust, association, organization, labor union, institution, entity or Governmental Entity, including any successor (by merger or otherwise) of such entity.

"Plan" means, with respect to any current, former or prospective employee, director, officer or consultant of Opal-Re, each pension, retirement, savings, money purchase, profit sharing, deferred compensation, medical, vision, dental, hospitalization, prescription drug and other health plan, cafeteria, flexible benefits, short-term and long-term disability, accident and life insurance plan, bonus, stock option, stock purchase, stock appreciation, phantom stock, incentive and special compensation, trust (including but not limited to any employee benefit, dependent, sub or investment trust), and other plan and each other employee or fringe benefit plan, program or Contract to which Opal-Re contributes or is required to contribute or has any Liability, or which Opal-Re sponsors, maintains or administers or which is otherwise applicable to any current, former or prospective employee, director, officer or consultant of Opal-Re, whether written or oral and whether direct or indirect.

"Proxy Confirmation" has the meaning set forth in Section 6.2(b).

"Proxy Statement" means the proxy statement the Buyer sends to the Buyer Shareholders for purposes of soliciting proxies for the Buyer Shareholders' Meeting, as provided in Section 6.2(a).

"Reassurance Agreements" means the reassurance agreements entered into by Opal-Re with NPI Limited, London Life Limited and Pearl Assurance plc on 25 May 2007, and any ancillary documents entered into in relation to the reassurance agreements.

"Recipient" has the meaning set forth in Section 8.4(a)(v).

"Regulator" means any competent authority or Governmental Entity in any jurisdiction that has a function equivalent to that of the FSA within the United Kingdom, including but not limited to, such regulatory body in each of the Netherlands, the Republic of Ireland, the Isle of Man, Guernsey, Bermuda and Hong Kong.

"Release" means a release into the environment.

"Relevant Employee" has the meaning set forth in Section 4.22(a).

"Representatives" means, with respect to any Person, such Person's Affiliates, directors, officers, employees, agents, consultants, advisors and other representatives, including legal counsel, accountants and financial advisors.

"Requisite Shareholder Approval" means the approval of the Transaction and all other matters submitted to the Liberty Shareholders in the Proxy Statement by the Liberty Shareholders holding the number of Liberty Ordinary Shares required under applicable Law and the Liberty's Organizational Documents to authorize and approve such matters; *provided* that less than 30.00% of the shares of Liberty Ordinary Shares that were issued in Liberty's initial public offering vote against the Transaction and elect redemption of their shares.

"Restricted Party" has the meaning set forth in Section 6.5(a).

"Restricted Period" has the meaning set forth in Section 6.5(a).

"Restricted Securities" means Employment Related Securities which are restricted securities as defined in Section 423 ITEPA.

"Rights Offer" shall have the meaning set forth in the Pearl purchase Agreement.

"Saving" has the meaning set forth in Section 8.4(a)(v).

"Seller Competing Transaction" has the meaning set forth in Section 6.14(a).

"Seller Designated Warranties" means each of the following warranties: (i) Section 3.1; (ii) Section 3.3 and (iii) the first two sentences of Section 4.1.

"Seller Material Adverse Effect" means any fact, circumstance, change or effect that, individually or when taken together with all other such facts, circumstances, changes or effects that exist at the date of determination of the occurrence of the Seller Material Adverse Effect, has or is reasonably likely to have a material adverse effect on (x) the ability of the O-Re Parties to perform any material obligations under any of the Transaction Documents or (y) the ability of the O-Re Parties to consummate the Transaction in accordance with the Transaction Documents or (z) the business, operations, financial condition or results of operations of Opal-Re, taken as a whole; *provided, however*, that no facts, circumstances, changes or effects (by themselves or when aggregated with any other facts, circumstances, changes or effects) resulting from, relating to or arising out of the following shall be deemed to be or constitute a Seller Material Adverse Effect, and no facts, circumstances, changes or effects resulting from, relating to or arising out of the following (by themselves or when aggregated with any other facts, circumstances, changes or effects) shall be taken into account when determining whether a Seller Material Adverse Effect has occurred or may, would or could occur: (i) economic, financial or political conditions in any jurisdiction in which Opal-Re has substantial business or operations, and any changes therein (including any changes arising out of acts of terrorism, war, weather conditions or other force majeure events), to the extent that such conditions do not have a disproportionate impact on Opal-Re (as compared to other businesses engaged in similar industries as the Business); (ii) conditions in the financial markets, and any changes therein (including any changes arising out of acts of terrorism, weather conditions or other force majeure events), to the extent that such conditions do not have a disproportionate impact on Opal-Re (as compared to other businesses engaged in similar industries as the Business); (iii) the announcement or pendency of this Agreement and the Transaction; (iv) changes in Law or International Standards on Auditing issued by the International Auditing and Assurance Standards Board applicable to Opal-Re; or

(v) compliance by the O-Re Parties with the express terms of this Agreement or the failure by the O-Re Parties to take any action that is prohibited by this Agreement.

"Seller Issued Shares" has the meaning set forth in Section 2.1(a).

"Seller Opal Shares" has the meaning set forth in the Preliminary Statement to this Agreement.

"Seller Schedule Supplement" has the meaning set forth in Section 9.10(b).

"Subsidiary" means any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of the Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control any managing member or general partner of such limited liability company, partnership, association or other business entity.

"Taxes" or *"Tax"* means all federal, national, state, province, local and foreign taxes, charges, duties, fees, levies or other assessments, including income, excise, property, sales, use, gross receipts, recording, insurance, value added, profits, license, withholding, payroll, employment, capital stock, customs duties, net worth, windfall profits, capital gains, transfer, registration, estimated, stamp, social security, environmental, occupation, franchise or other taxes of any kind whatsoever, imposed by any Governmental Entity, and all interest, additions to tax penalties and other similar amounts imposed thereon, whether disputed or not, and including any obligation to indemnify or otherwise assume or succeed to the Tax Liability of any other Person.

"Tax Claim" means a Claim made pursuant to Section 4.9.

"Tax Return" means, with respect to any Person, all federal, national, state, province, local and foreign Tax returns, annual return, reports, declarations, statements, claims for refund, and other documentation, including any schedule or attachment thereto, required to be filed by or on behalf of such Person (or any predecessor) or any consolidated, combined, affiliated or unitary group of which such Person is or has been a member (but only with respect to taxable periods during which such Person is a member thereof).

"Ten Day Period" has the meaning set forth in Section 8.6(d)(i).

"Termination Date" means the date falling 100 days after the date of this Agreement.

"Third-Party Claim" has the meaning set forth in Section 8.5(a).

"Transaction" means the transactions contemplated by the Transaction Documents.

"Transaction Documents" means this Agreement, the Proxy Statement, the Proxy Confirmation, and all other instruments, certificates and documents expressly required to be delivered by the Buyer, Buyer Representative or any O-Re Parties pursuant to this Agreement or any other Transaction Document.

"Transaction Expenses" means, with respect to any Person, (i) any and all fees and out-of-pocket costs and expenses of such Person and any counsel, accountants, investment bankers and other professional advisors engaged by such Person, in connection with the Transaction, (ii) any Liability of such Person for payments to any other Person to obtain any consent, release, approval, waiver or other authorization required in order to consummate the Transaction, and (iii) any filing fee payable under any

antitrust or competition law for any report or other filing required to be made in connection with the Transaction.

"UK GAAP" means generally accepted accounting principles as in effect on the date of this Agreement in the United Kingdom.

"Unaffiliated Firm" means such internationally recognized firm of accountants as Buyer Representative and the Seller's Representative may agree upon in writing.

"Warrant Amendment" has the meaning set forth in the Pearl Purchase Agreement.

1.2 ***Rules of Construction.*** The following rules shall apply to the interpretation of this Agreement:

(a) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

(b) Any reference to any federal, state, local, or foreign Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise, and shall be deemed to refer to any such Law as amended and in effect at any time.

(c) For the purposes of this Agreement and the Schedules and Exhibits to this Agreement, (i) words in the singular will include the plural and vice versa and words of one gender will include the other gender as the context requires, (ii) the terms "hereof", "herein", and "herewith" and words of similar import will, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, (iii) the word "including" and words of similar import will mean "including, without limitation", unless otherwise specified, (iv) the word "or" will not be exclusive and (v) any accounting term will have, unless otherwise specifically provided herein, the meaning customarily given such term in accordance with UK GAAP or IFRS , as applicable, and all financial computations will be made, unless otherwise specifically provided herein, in accordance with UK GAAP or IFRS, as applicable, consistently applied, and all references to UK GAAP or IFRS , as applicable, unless otherwise specifically provided herein, will be to UK GAAP or IFRS, as applicable.

(d) Capitalized terms used in the other Transaction Documents but not otherwise defined therein will have the respective meanings assigned to such terms in this Agreement.

(e) A "breach" of a warranty, covenant, obligation or other provision of this Agreement or any Transaction Document will be deemed to have occurred if there is or has been any inaccuracy in or breach of or any failure to perform or comply with, such warranty, covenant, obligation, or other provision.

(f) The article, section and paragraph captions herein and the table of contents hereto are for convenience of reference only, do not constitute part of this Agreement and will not be deemed to limit or otherwise affect any of the provisions hereof. Unless otherwise specified, all references herein to numbered Articles and Sections are to Articles and Sections of this Agreement and all references herein to Exhibits are to Exhibits to this Agreement.

(g) Unless otherwise specified, all references contained in this Agreement or in any Transaction Document to Euros or "€" will mean European Union Euros.

(h) Unless otherwise specified, all references to a Contract will include that Contract as it may be amended, modified, supplemented, waived or otherwise in effect from time to time.

Annex C

THE COMPANIES LAW (2007 REVISION)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

THIRD AMENDED AND RESTATED

MEMORANDUM AND ARTICLES OF ASSOCIATION

OF

PEARL GROUP

THE COMPANIES LAW (2007 REVISION)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES

THIRD AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION OF PEARL GROUP

(adopted by Special Resolution dated [•] July 2009)

1 The name of the Company is Pearl Group.

2 The registered office of the Company shall be at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place as the Directors may from time to time decide.

3 The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (2007 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands.

4 The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.

5 The share capital of the Company is €41,000 divided into 300,000,000 Ordinary Shares of a par value of €0.0001 each and 110,000,000 Class B Ordinary Shares of a par value of €0.0001 each.

6 The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

7 Capitalised terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company.

THE COMPANIES LAW (2007 REVISION)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES

FORM OF
THIRD AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF
PEARL GROUP
(adopted by Special Resolution dated [•] July 2009)

1 Interpretation

1.1 In these Articles Table A in the First Schedule to the Statute does not apply and, unless there is something in the subject or context inconsistent therewith:

"acting in concert"	has the meaning given to it in the City Code.
"Action"	means any legal, administrative, governmental or regulatory proceeding or other action, suit, proceeding, claim, arbitration, mediation, alternative dispute resolution procedure, inquiry or investigation by or before any arbitrator, mediator, court or other Governmental Entity.
"Admitted Institution"	means the institution that has been admitted as such by Euroclear Nederland pursuant to the Dutch Act *(aangesloten instelling)*.
"Affiliate"	means with respect to a person (the **"First Person"**): (a) another person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the First Person; or (b) a successor trustee or nominee for, or a successor by reorganisation of, a qualified trust.
"Amount Payable"	means any Claim Amount which has become payable by a Member to the Company under the Purchase Agreements.
"Applicable Share Price"	means in the case of the Claim Re-imbursement Shares an amount equal to the volume weighted average share price of Ordinary Shares for (A) the 30 day trading period following the public disclosure of the event giving rise to a Claim or (B) if no public disclosure of such event shall have been made, then the 30 day trading period following delivery of the applicable Notice of Claim.
"Articles"	means these articles of association of the Company.
"Auditor"	means the person for the time being performing the duties of auditor of the Company (if any).
"Business Day"	means a day on which banks and stock exchanges are open for business in London (excluding Saturdays, Sundays and public holidays).
"Buyer's Representative"	means such individual selected as Buyer Representative of the Company pursuant to the Purchase Agreements.
"Chairman"	means the chairman of the board of Directors from time to time.

"City Code"	means The City Code on Takeovers and Mergers, as issued from time to time by or on behalf of the United Kingdom's Panel on Takeovers and Mergers (or any successor to or replacement thereof) or any other regime (whether statutory or non-statutory) governing the conduct of takeovers and mergers in the United Kingdom.
"Claim"	means a claim asserting a breach of warranty, covenant, agreement or any claim for indemnification or tax gross up issued to a Seller under the Purchase Agreements.
"Claim Amount"	means the amount of Damages claimed in any Notice of Claim, which amount, if not finally determined, may be a good faith estimate by the Claimant of the Damages that may be awarded to, or receivable by, a Claimant pursuant to such Claim.
"Claim Re-imbursement Shares"	means fifty per cent. of the Class B Ordinary Shares issued by the Company to the relevant Sellers as a consequence of the provisions of the Purchase Agreements.
"Claimant"	means (i) in the case of any Claim by the Company, the Company and (ii) in the case of any Claim by the Sellers, the Sellers.
"Claim Date"	means the date that is 30 days after the completion and delivery to the Company and Buyer's Representative of the Company's audited financial statements for the fiscal year ending December 31, 2010.
"Class" or **"Classes"**	means any class or classes of Shares as may from time to time be issued by the Company.
"Class B Ordinary Share"	means a Class B Ordinary Share in the capital of the Company and having the rights provided for such Shares under these Articles.
"Combined Code"	means the Combined Code on Corporate Governance from time to time published by the UK Financial Reporting Council or any successor to or replacement thereof.
"Company"	means the above named company.
"Contingent Consideration Agreement"	means the contingent consideration agreement entered into on or about the date of the Purchase Agreements between the Company and the Sellers.
"Contingent Fee Agreement"	means the contingent fee agreement entered into by the Company, the "lenders" and the "borrowers" as defined therein on or about the date of the Purchase Agreements.
"Contingent Shares"	means the Ordinary Shares or the Class B Ordinary Shares, as applicable, issued by the Company, if any, to the relevant Sellers, as a consequence of the provisions of the Contingent Consideration Agreement.
"Contingent Subscription Agreement"	means the contingent subscription agreements entered into by the Company and certain of its Members on or about the date of the Purchase Agreements.
"Contract"	means, with respect to any Person, all agreements, contracts, obligations, commitments and arrangements (whether written or oral) (i) to which such Person is a party, (ii) under which such Person has any rights, (iii) under which such Person has any Liability, or (iv) by which such Person, or any of the assets or properties owned

	or used by such Person, is bound, including, in each case, all amendments, modifications and supplements thereto.
"Damages"	means all losses, Liabilities, claims, damages, deficiencies, obligations, fines, payments (including incidental and consequential damages), expenses (including reasonable costs of investigation and defense and reasonable fees and expenses of legal counsel, accountants and other professional advisors), actions, causes of action, assessments, judgments, amounts paid in settlement or diminutions in value, whether or not involving a Third-Party Claim.
"Directors"	means the directors for the time being of the Company.
"Dividend"	includes an interim dividend.
"Dutch Act"	means the *Wet giraal effectenverkeer* (the Dutch Securities Giro Transfer Act).
"Effective Date"	means the date of adoption of these Articles by the Company.
"Electronic Record"	has the same meaning as in the Electronic Transactions Law.
"Electronic Transactions Law"	means the Electronic Transactions Law (2003 Revision) of the Cayman Islands.
"Equity Securities"	means, with respect to any Person, any of its shares, capital stock, partnership interests (general or limited), limited liability company interests, trust interests or other securities which entitle the holder thereof to participate in the earnings of such Person or to receive dividends or distributions on liquidation, winding up or dissolution of such Person, or to vote for the election of directors or other management of such Person, or to exercise other rights generally afforded to stockholders of a corporation.
"Euro" and **"€"**	means the official currency of the European Economic and Monetary Union.
"Euroclear Agent"	means the Admitted Institution designated by the Company as the Company's issuing and transfer agent in respect of securities of the Company which have been included in the Euroclear System.
"Euroclear Nederland"	means *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.,* the central institute of the Euroclear System within the meaning of the Dutch Act.
"Euroclear System"	means the book-entry custody and settlement system operated by Euroclear Nederland.
"Euronext Amsterdam"	means Euronext Amsterdam N.V.
"Excess Shares"	has the meaning given to it in Article 49.3(d).
"FSMA"	means the Financial Services and Markets Act 2000 of the United Kingdom.
"FPO"	means the Financial Promotions Order 2005.
"Fund"	means:
	(a) any collective investment scheme (as defined in the FSMA);

	(b) any investment professional, high net worth company, high net worth unincorporated association and high value trust (each as defined in the FPO), partnership, limited partnership, pension fund or insurance company;
	(c) any person who is an authorised person under the FSMA; and
	(d) any subsidiary or parent undertaking of any of the foregoing or any co-investment scheme.
"Governmental Entity"	means, in any jurisdiction, any (i) federal, state, local, foreign or international government, (ii) court, arbitral or other tribunal, (iii) governmental or quasi-governmental authority of any nature (including any political subdivision, instrumentality, branch, department, official or entity), or (iv) agency, commission, authority or body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.
"IFRS"	means International Financial Reporting Standards as adopted by the European Union.
"Independent"	means a Director who meets the criteria for independence set out in Provision A.3.1 of the Combined Code.
"Liability"	means any and all claims, debts, liabilities, obligations and commitments of whatever nature, whether known or unknown, asserted or unasserted, fixed, absolute or contingent, matured or unmatured, accrued or unaccrued, liquidated or unliquidated or due or to become due, and whenever or however arising (including those arising out of any Contract or tort, whether based on negligence, strict liability or otherwise) and whether or not the same would be required by UK GAAP or IFRS, as applicable, to be reflected as a Liability in financial statements or disclosed in the notes thereto
"Limitation"	has the meaning given to it in Article 49.1.
"Member"	has the same meaning as in the Statute.
"Memorandum"	means the memorandum of association of the Company.
"Notice of Claim"	means a written notice of a Claim to one or more Sellers that (i) sets forth in reasonable detail (to the extent reasonably practicable) the basis for such Claim (ii) sets forth the Claim Amount (to the extent reasonably able to be calculated at such time), and (iii) sets forth the name of any Seller against whom the Claim is being made.
"Ordinary Resolution"	means a resolution passed by a simple majority of the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, and includes a unanimous written resolution. In computing the majority when a poll is demanded regard shall be had to the number of votes to which each Member is entitled by these Articles.
"Ordinary Share"	means an ordinary share in the capital of the Company having the rights provided for such Shares under these Articles.
"Permitted Acquisition"	has the meaning given to it in Article 49.4.

"Person"	means any individual, sole proprietorship, firm, corporation (including any non-profit corporation and public benefit corporation), general or limited partnership, limited liability partnership, joint venture, limited liability company, estate, trust, association, organization, labor union, institution, entity or Governmental Entity, including any successor (by merger or otherwise) of such entity.
"Prohibited Acquisition"	has the meaning given to it in Article 49.5.
"Purchase Agreements"	means (i) the purchase agreement dated as of 27 June 2009 by and among the Company and the Sellers party thereto (as amended or supplemented from time to time) and (ii) the Purchase Agreement dated as of 27 June 2009 by and among the Company, O-Re UK Limited and the other Sellers party thereto (as the same may be amended or supplemented from time to time).
"Purchase Agreement Shares"	means the Class B Ordinary Shares issued by the Company to the Sellers as a consequence of the provisions of the Purchase Agreements.
"Register of Members"	means the register maintained in accordance with the Statute and includes (except where otherwise stated) any duplicate Register of Members.
"Registered Office"	means the registered office for the time being of the Company.
"Registrar of Companies"	means the registrar of companies in and for the Cayman Islands.
"Related Party"	means:

(a) in relation to the Sun Capital Individuals;

(i) any person which is an Affiliate of the Sun Capital Individuals (treating all their respective interests collectively);

(ii) any Fund which is advised, or the assets of which (or some material part thereof) are managed (whether jointly or with others), by the Sun Capital Individuals or any of them or any person falling within (i);

(iii) any general partner of, operator or manager of, investment adviser to, principal, director, officer or employee of any of the Sun Capital Individuals or any person referred to in (i) or (ii);

(iv) any Fund which has the same general partner, operator, management or investment advisor as any person referred to in (ii) and any of such Fund's Affiliates;

(v) any Fund organised by the Sun Capital Individuals (acting collectively) or by any of them or any of their Affiliates for the benefit of the Sun Capital Individuals or their dependants or for the benefit of the partners, officers or employees or their dependants of their Affiliates;

(vi) any Fund in respect of which any of the Sun Capital Individuals or any of their Affiliates is a general partner and any of such Fund's Affiliates; or

(vii) any consultant, agent or representative of the Sun Capital Individuals or any person referred to in (i) or (ii) other than any professional advisor.

(b) in relation to TDR Capital LLP;

(i) any Affiliate of TDR Capital LLP;

(ii) any Fund which is advised, or the assets of which (or some material part thereof) are managed (whether jointly or with others), by TDR Capital LLP or any of its Affiliates;

(iii) any general partner of, operator or manager of, investment adviser to, principal, director, officer, employee or TDR Capital LLP or any person referred to in (i) or (ii);

(iv) any Fund which has the same general partner, operator, management or investment adviser as any person referred to in (ii) and any of such Fund's Affiliates;

(v) any Fund organised by TDR Capital LLP or any of its Affiliates for the benefit of the partners, officers or employees or their dependants of TDR Capital LLP or its Affiliates; or

(vi) any Fund in respect of which TDR Capital LLP or any of its Affiliates is a general partner and any of such Fund's Affiliates; and

(c) in relation to the Sun Capital Individuals and TDR Capital LLP and irrespective of the foregoing, Graydon Bellingham, Manjit Dale, Stephen Farrugia, Stephen Robertston, Max Heberstein and Blair Thompson.

"Seal" means the common seal of the Company and includes every duplicate seal.

"Sellers" means each of the Sellers under the Purchase Agreements (and does not, for the avoidance of doubt, include, the Royal London Mutual Insurance Society Limited).

"Share" and **"Shares"** means any share or shares in the capital of the Company, including without limitation, Ordinary Shares and Class B Ordinary Shares, and includes a fraction of a share.

"Special Resolution" has the same meaning as in the Statute, and includes a unanimous written resolution.

"Statute" means the Companies Law (2007 Revision) of the Cayman Islands.

"Sun Capital Individuals" means each of Matthew Allen, Edward Hawkes, Marc Jonas, Alan McIntosh, Hugh Osmond and Edward Spencer-Churchill together with their connected persons.

"Tax" means all federal, national, state, province, local and foreign taxes, charges, duties, fees, levies or other assessments, including income, excise, property, sales, use, gross receipts, recording, insurance, value added, profits, license, withholding, payroll, employment, capital stock, customs duties, net worth, windfall profits, capital

	gains, transfer, registration, estimated, stamp, social security, environmental, occupation, franchise or other taxes of any kind whatsoever, imposed by any Governmental Entity, and all interest, additions to tax penalties and other similar amounts imposed thereon, whether disputed or not, and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other Person.
"TDR Capital LLP"	means TDR Capital LLP, a limited liability partnership registered in England and Wales (registered number OC302604).
"Ten Day Period"	has the meaning given to it in Article 8.4.
"Third Party Claim"	means an Action or potential Action by a third party against the Company or the Sellers.
"UK GAAP"	means generally accepted accounting principles as in effect from time to time in the United Kingdom.
"United Kingdom"	means the United Kingdom of Great Britain and Northern Ireland.
"£"	means the lawful currency of the United Kingdom.

1.2 In these Articles:

(a) words importing the singular number include the plural number and vice versa;

(b) words importing the masculine gender include the feminine gender;

(c) words importing persons include corporations;

(d) "written" and "in writing" include all modes of representing or reproducing words in visible form, including in the form of an Electronic Record;

(e) references to provisions of any law or regulation shall be construed as references to those provisions as amended, modified, re-enacted or replaced from time to time;

(f) any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;

(g) headings are inserted for reference only and shall be ignored in construing these Articles; and

(h) Section 8 of the Electronic Transactions Law shall not apply.

2 Commencement of Business

2.1 The business of the Company may be commenced as soon after incorporation as the Directors shall see fit.

2.2 The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company, including the expenses of registration.

3 Issue of Securities

3.1 Subject to the provisions, if any, in the Memorandum (and to any direction that may be given by the Company in a general meeting) and, where applicable, the rules of the Euroclear System and/or any competent regulatory authority, and without prejudice to any rights attached to any existing Shares, the Company may allot, issue, grant options over or otherwise dispose of Shares (including fractions of a Share) with or without preferred, deferred or other rights or restrictions, whether in regard to Dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper and for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued.

3.2 The Company may issue options, warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Directors may from time to time determine.

3.3 The Directors may authorise the division of Shares into any number of Classes and the different Classes shall be authorised, established and designated (or re-designated as the case may be) and the variations in the relative rights (including, without limitation, voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different Classes (if any) shall be fixed and determined by the Directors.

3.4 The Company shall only issue Shares or other securities to bearer if, to the extent, and in the manner permitted by the Statute.

3.5 Subject to (i) Articles 3.7 and 3.8 in relation to the Claim Re-imbursement Shares, (ii) Article 7.7 in relation to the Purchase Agreement Shares and (iii) Articles 3.6 and 3.9 in relation to all Class B Ordinary Shares: the Class B Ordinary Shares shall have the same rights and restrictions, and shall rank *pari passu* in all respects, with the Ordinary Shares of the Company. For the avoidance of doubt, the Ordinary Shares and the Class B Ordinary Shares shall be treated equally in relation to any rights issue, placing, reorganisation, restructuring, refinancing or other corporate action undertaken by the Company.

3.6 Subject to Article 3.7 (which for the avoidance of doubt is only applicable to the Claim Re-imbursement Shares), the Class B Ordinary Shares held by each Member shall be convertible, subject to compliance with applicable laws, including the rules and regulations of any investment exchange on which the Ordinary Shares are admitted to trading and these Articles, at the option of such Member by variation of rights and re-designation of such Class B Ordinary Shares into Ordinary Shares.

3.7 The Claim Re-imbursement Shares shall not be convertible into Ordinary Shares prior to the Claim Date.

3.8 With effect from the Claim Date, the Claim Re-imbursement Shares shall be convertible, subject to compliance with applicable laws, including the rules and regulations of any investment exchange on which the Ordinary Shares are admitted to trading and these Articles, into Ordinary Shares at the option of the holder thereof, save for such number of Class B Ordinary Shares with an aggregate value (based on the Applicable Share Price) of any unresolved Claims made prior to the Claim Date; provided, that to the extent any Amount Payable shall have been paid in cash or, where permitted pursuant to the terms of the Purchase Agreements, the relinquishment of Contingent Shares, then an amount of Class B Ordinary Shares equal in value to such paid Amount Payable may be converted into Ordinary Shares.

3.9 At any time after Class B Ordinary Shares have become convertible into Ordinary Shares in accordance with Articles 3.6 to 3.8, the Member holding such Class B Ordinary Shares may exercise its option to convert by giving written notice to the Company. Subject to compliance by the Company with applicable laws, including the rules and regulations of any investment exchange on which the Ordinary Shares are admitted to trading and these Articles, upon receipt of such written notice:

(a) the Class B Ordinary Shares shall automatically convert into Ordinary Shares by way of variation of rights and re-designation on a one for one basis;

(b) the Directors and Euroclear Agent shall cause the Register of Members to be updated to reflect such variation of rights and re-designation; and

(c) if the Ordinary Shares are admitted to trading on any investment exchange, the Directors shall cause an application to be made for the Ordinary Shares resulting from such variation of rights and re-designation to be admitted to trading on such investment exchange as soon as practicable.

4 Register of Members and Book-Entry Interests

4.1 The Company shall maintain or cause to be maintained the Register of Members within or outside the Cayman Islands in accordance with the Statute provided that at all times the Register of Members be held and maintained outside the United Kingdom. The Company may in addition maintain an overseas or local

branch register, and the Directors may make and vary such regulations as they deem necessary in their discretion in respect of the maintenance of any such register and the appointment of registrars with respect thereto, provided that any such register be held and maintained outside the United Kingdom and provided that the Euroclear Agent shall be appointed to maintain an overseas register in respect of the Ordinary Shares.

4.2 Subject to the requirements of the Euroclear System and the Dutch Act, the Directors have the power to implement and/or approve any arrangements that they may, in their absolute discretion, think fit in relation to the evidencing of title and transfer of interests in Shares or any other securities of the Company in the form of book-entry interests or similar interests or securities and, to the extent that such arrangements are so implemented, no provision of the Articles shall apply or have effect in relation to such book-entry interests to the extent that it is in any respect inconsistent with the holding and transfer thereof or the securities represented thereby. Where the Company is entitled to dispose of, forfeit or enforce a lien over or otherwise procure the sale of any securities or fractions of a security which are held through interests in book-interest form, the Directors shall have the power to take such steps as may be required to effect such disposal, forfeiture, enforcement or sale. The Directors may from time to time take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of such arrangements.

5 Closing Register of Members or Fixing Record Date

5.1 For the purpose of determining Members entitled to notice of, or to vote at any general meeting of Members or any adjournment thereof, or Members entitled to receive payment of any Dividend, or in order to make a determination of Members for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period which shall not in any case exceed forty days. If the Register of Members shall be closed for the purpose of determining Members entitled to notice of, or to vote at, a general meeting of Members the Register of Members shall be closed for at least ten days immediately preceding the general meeting.

5.2 In lieu of, or apart from, closing the Register of Members, the Directors may fix in advance or arrears a date as the record date for any such determination of Members entitled to notice of, or to vote at any general meeting of the Members or any adjournment thereof, or for the purpose of determining the Members entitled to receive payment of any Dividend or redemption amount or in order to make a determination of Members for any other purpose.

5.3 If the Register of Members is not closed pursuant to Article 5.1 and no record date is fixed for the determination of Members entitled to notice of, or to vote at, a general meeting of Members or Members entitled to receive payment of a Dividend or redemption amount pursuant to Article 5.2, the date on which notice of the general meeting is sent or the date on which the resolution of the Directors declaring such Dividend or redemption amount is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any general meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

6 Certificates for Shares

6.1 A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates representing Shares, if any, shall be in such form as the Directors may determine. Share certificates shall be signed by one or more Directors or other person authorised by the Directors. The Directors may authorise certificates to be issued with the authorised signature(s) affixed by mechanical process. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. All certificates surrendered to the Company for transfer shall be cancelled and subject to these Articles no new certificate shall be issued until the former certificate representing a like number of relevant Shares shall have been surrendered and cancelled.

6.2 The Company shall not be bound to issue more than one certificate for Shares held jointly by more than one person and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

6.3 If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in

investigating evidence, as the Directors may prescribe, and (in the case of defacement or wearing out) upon delivery of the old certificate.

7 Transfer of Shares

7.1 Subject to the terms of these Articles and, where applicable, the rules of the Euroclear System, the Shares and other securities of the Company are transferable.

7.2 If the Directors, in their sole discretion, determine that Shares or other securities of the Company held outside the Euroclear System, are held in contravention of the transfer restrictions to which they are subject, the holder shall repay to the Company any amounts distributed to such holder by the Company during the period of such contravention, and transfer such Shares or other securities to a person designated by the Directors and the Directors are authorized to transfer such Shares or other securities on behalf of that holder in such manner as the Directors shall determine. Pending such transfer, no further payments shall be made by the Company in respect of such Shares or other securities held by such person, and, in the case of Shares, such Shares shall be deemed not to be in issue for the purposes of any vote, consent or direction of the Members and shall not be taken into account for the purposes of calculating any quorum or majority requirements relating thereto, and such Member shall not be entitled to exercise any voting, consent or direction rights in respect of such Shares. If the Directors, in their sole discretion, determine that a proposed transferee of Shares or other securities of the Company would be holding any Share or other security the subject of the proposed transfer in contravention of the transfer restrictions to which such Share or other security is subject, as described above, the Directors shall refuse to register the transfer of such Share or other security. The Company shall not be liable to any person having an interest in the Shares or other securities of the Company transferred as a result of any such transfer or the exercise of such discretion.

7.3 If the Directors, in their sole discretion, determine that any beneficial interests in the form of book-entry interests in Shares or other securities of the Company held within the Euroclear System, are held by its beneficial holder in contravention of the transfer restrictions to which they are subject, the beneficial holder shall repay to the Company any amounts distributed to such beneficial holder by the Company during the period of such contravention, and transfer such book-entry interests in such Shares or other securities to a person designated by the Directors and, in case of a failure to do so, such beneficial holder will be subject to a penalty in the discretion of the Directors for each day such beneficial holder continues to hold such a book-entry interest. During the period of such contravention, such book-entry interests in such Shares or other securities of the Company, shall be deemed not to be in issue for the purposes of any vote, consent or direction of the Members and shall not be taken into account for the purposes of calculating any quorum or majority requirements relating thereto to the Shares represented thereby, and such Member shall not be entitled to exercise any voting, consent or direction rights in respect of such Shares. The Company shall not be liable to any person having an interest in the Shares or other securities of the Company transferred as a result of any such transfer or the exercise of such discretion. If, in accordance with the terms of these Articles, the Directors declare a dividend or other distribution on Shares in issue, the foregoing provisions of this Article 7.4 shall not affect the entitlement to such dividend or other distribution of Euroclear Nederland in respect of any Shares it holds.

7.4 The Company or any agent on its behalf may make enquiries of any holder of Shares or other securities of the Company at any time in order to determine if such holder is holding such Shares or other securities, or if any beneficial interest in the form of book-entry interests therein is being held, in contravention of the transfer restrictions to which they are subject.

7.5 Save in respect of a Share or other security of the Company transferred to or from Euroclear Nederland, which shall be effected in accordance with the terms of the documentation from time to time required by Euroclear Nederland for admitting securities into the Euroclear System, the instrument of transfer of any Share or other security of the Company shall be in writing and shall be executed by or on behalf of the transferor (and if the Directors so require, signed by the transferee). The transferor shall be deemed to remain the holder of a Share or other security of the Company until the name of the transferee is entered, in the case of Shares, in the Register of Members or, in the case of any other security of the Company, any register maintained in respect of such securities. After execution of the instrument of transfer, the transferor shall

ensure that the Register of Members or, in the case of other securities of the Company, any register maintained in respect of such securities, is updated forthwith.

7.6 The Directors may, in accordance with the provisions of the Dutch Act, resolve that withdrawal of the Shares and warrants from the Euroclear System shall not be permitted.

7.7 Notwithstanding the provisions of this Article 7, for a period of one year from the date of completion of the Purchase Agreements, no holder of Purchase Agreement Shares shall (a) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Purchase Agreement Shares or any Equity Securities which are derived from such Purchase Agreement Shares or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any Purchase Agreement Shares or any Equity Securities which are derived from such Purchase Agreement Shares, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Purchase Agreement Shares or such other securities, in cash or otherwise. Notwithstanding the foregoing, (i) O-Re Holdings (Netherlands) B.V. may transfer all (but not some) of the Purchase Agreement Shares held by O-Re Holdings (Netherlands) B.V. to its parent company O-Re UK Limited as soon as practicable after the receipt of such Purchase Agreement Shares by O-Re Holdings (Netherlands) B.V. and (ii) a holder of Purchase Agreement Shares may (x) sell up to fifty per cent. of the Purchase Agreement Shares or any Equity Securities which are derived from such Purchase Agreement Shares issued to such holder of Purchase Agreement Shares with a value equal to the value of any Tax payable by such holder of Purchase Agreement Shares with respect to such Purchase Agreement Shares, and (y) sell such further Purchase Agreement Shares or any Equity Securities which are derived from such Purchase Agreement Shares so as to take account of any Tax payable by such holder of Purchase Agreement Shares on any sale referred to in part (x) or in this part (y) of this Article 7.7, provided that the aggregate number of Purchase Agreement Shares or any Equity Securities which are derived from such Purchase Agreement Shares sold by a holder of Purchase Agreement Shares pursuant to part (x) and part (y) of this Article 7.7 shall not exceed fifty per cent. of the Purchase Agreement Shares or any Equity Securities which are derived from such Purchase Agreement Shares issued to such holder of Purchase Agreement Shares.

8 Redemption and Repurchase of Shares

8.1 Subject to the provisions of the Statute and these Articles, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the Member or the Company. The redemption of such Shares shall be effected in such manner as the Company may, by Special Resolution, determine before the issue of the Shares (for the avoidance of doubt, this shall not apply to any redemption of any Shares having redemption rights set out in these Articles).

8.2 Subject to the provisions of the Statute, and in compliance with any other law or regulation including any applicable listing rules, the Company may purchase its own Shares (including any redeemable Shares) provided that the Members shall have approved the manner of purchase by Ordinary Resolution.

8.3 The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Statute, including out of capital.

8.4 Each Member that owes any Amount Payable to the Company shall pay to the Company any such Amount Payable, promptly and in no event later than ten Business Days (the **"Ten Day Period"**) after such Amount Payable is established in accordance with the Purchase Agreements at the option of any Member either (i) by wire transfer of funds in the currency determined in accordance with the Purchase Agreements or (ii) by requesting that the Company compulsorily redeem such number of Claim Re-imbursement Shares as are Class B Shares held by such Member and, to the extent necessary, cancel any right to receive shares from the Company under the Contingent Consideration Agreement that is equal to (x) that portion of the Amount Payable that remains payable divided by (y) the Applicable Share Price, and following such request and subject to applicable law, the Company may instigate such redemption. If such wire funds transfer is not received by the Company, or if the Member does not request the Company to compulsorily redeem the applicable number of Claim Re-imbursement Shares for redemption within the Ten Day Period, such number

of Claim Re-imbursement Shares that is equal to (x) that portion of the Amount Payable that remains payable divided by (y) the Applicable Share Price shall, by operation of this Article 8.4 and subject to applicable law, be automatically redeemed on the next Business Day following the expiration of the Ten Day Period. For the avoidance of doubt, the number of Claim Re-imbursement Shares to be redeemed shall be reduced *pro rata* to the relinquishment of the entitlement to Contingent Shares.

9 Variation of Rights of Shares

9.1 If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class or these Articles) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-quarters of the issued Shares of that class, or with the sanction of a Special Resolution passed at a general meeting of the Members who hold Shares of that class, provided that any amendment to Articles 3.6 to 3.9 which varies the rights attached to the Class B Ordinary Shares with respect to their convertibility into Ordinary Shares, shall only be approved with the consent in writing of the holders of ninety per cent of the issued Class B Ordinary Shares, or with the sanction of a resolution passed by a majority of at least ninety per cent of the votes cast at a separate meeting of the holders of such Class B Ordinary Shares.

9.2 The conversion of Class B Ordinary Shares into Ordinary Shares by way of variation of rights and redesignation in accordance with Articles 3.6 to 3.9 shall not be deemed to be a variation of rights for the purposes of Article 9.1.

9.3 The provisions of these Articles relating to general meetings shall apply to every class meeting of the holders of one class of Shares except that the necessary quorum shall be one person holding or representing by proxy at least one third of the issued Shares of the class.

9.4 The rights conferred upon the Members who hold the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking pari passu therewith.

9.5 For the purposes of a separate class meeting, the Directors may treat two or more or all the classes of Shares as forming one class if the Directors consider that such classes would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes.

10 Commission on Sale of Shares

The Company may, in so far as the Statute permits, pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares of the Company. Such commissions may be satisfied by the payment of cash and/or the issue of fully or partly paid-up Shares. The Company may also on any issue of Shares pay such brokerage as may be lawful.

11 Non Recognition of Trusts

The Company shall not be bound by or compelled to recognise in any way (even when notified) any equitable, contingent, future or partial interest in any Share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any Share other than an absolute right to the entirety thereof in the registered holder.

12 Lien on Shares

12.1 The Company shall have a first and paramount lien on all Shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, except that (i) this Article shall not apply to any Shares the subject of book-entry interests in the Euroclear System and (ii) the Directors may at any time declare any other Share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such Share shall operate as a waiver of the Company's lien thereon. The Company's lien on a Share shall also extend to any amount payable in respect of that Share.

12.2 The Company may sell, in such manner as the Directors think fit, any Shares on which the Company has a lien, if a sum in respect of which the lien exists is presently payable, and is not paid within fourteen clear days after notice has been given to the holder of the Shares, or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the Shares may be sold.

12.3 To give effect to any such sale the Directors may authorise any person to execute an instrument of transfer of the Shares sold to, or in accordance with the directions of, the purchaser. The purchaser or his nominee shall be registered as the holder of the Shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the sale or the exercise of the Company's power of sale under these Articles.

12.4 The net proceeds of such sale after payment of costs, shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable and any residue shall (subject to a like lien for sums not presently payable as existed upon the Shares before the sale) be paid to the person entitled to the Shares at the date of the sale.

13 Call on Shares

13.1 Subject to the terms of the allotment the Directors may from time to time make calls upon the Members in respect of any monies unpaid on their Shares (whether in respect of par value or premium), and each Member shall (subject to receiving at least fourteen days notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on the Shares. A call may be revoked or postponed as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the Shares in respect of which the call was made.

13.2 A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.

13.3 Members who are joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

13.4 If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine, but the Directors may waive payment of the interest wholly or in part.

13.5 An amount payable in respect of a Share on allotment or at any fixed date, whether on account of the par value of the Share or premium or otherwise, shall be deemed to be a call and if it is not paid all the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call.

13.6 Shares may be issued with different terms as to the amount and times of payment of calls, or the interest to be paid, in each case as determined from time to time by the Directors.

13.7 The Directors may, if they think fit, receive an amount from any Member willing to advance all or any part of the monies uncalled and unpaid upon any Shares held by him, and may (until the amount would otherwise become payable) pay interest at such rate as may be agreed upon between the Directors and the Member paying such amount in advance.

13.8 No such amount paid in advance of calls shall entitle the Member paying such amount to any portion of a Dividend declared in respect of any period prior to the date upon which such amount would, but for such payment, become payable.

14 Forfeiture of Shares

14.1 If a call remains unpaid after it has become due and payable the Directors may give to the person from whom it is due not less than fourteen clear days notice requiring payment of the amount unpaid together with any interest, which may have accrued. The notice shall specify where payment is to be made and shall

state that if the notice is not complied with the Shares in respect of which the call was made will be liable to be forfeited.

14.2 If the notice is not complied with any Share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all Dividends or other monies declared payable in respect of the forfeited Share and not paid before the forfeiture.

14.3 A forfeited Share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the Directors think fit. Where for the purposes of its disposal a forfeited Share is to be transferred to any person the Directors may authorise some person to execute an instrument of transfer of the Share in favour of that person.

14.4 A person any of whose Shares have been forfeited shall cease to be a Member in respect of them and shall surrender to the Company for cancellation the certificate for the Shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of those Shares together with interest, but his liability shall cease if and when the Company shall have received payment in full of all monies due and payable by him in respect of those Shares.

14.5 A certificate in writing under the hand of one Director or officer of the Company that a Share has been forfeited on a specified date shall be conclusive evidence of the fact as against all persons claiming to be entitled to the Share. The certificate shall (subject to the execution of an instrument of transfer) constitute a good title to the Share and the person to whom the Share is disposed of shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.

14.6 The provisions of these Articles as to forfeiture shall apply in the case of non payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the par value of the Share or by way of premium as if it had been payable by virtue of a call duly made and notified.

15 Transmission of Securities

15.1 If a Member dies the survivor or survivors where he was a joint holder or his legal personal representatives where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest. The estate of a deceased Member is not thereby released from any liability in respect of any Share or other security in issue by the Company, which had been jointly held by him.

15.2 Any person becoming entitled to a Share or other security in issue by the Company in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may from time to time be required by the Directors, elect, by a notice in writing sent by him, either to become the holder of such Share or other security or to have some person nominated by him become the holder of such Share or other security but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share or other security in issue by the Company by the relevant Member or registered holder of such other security before his death or bankruptcy or liquidation or dissolution, as the case may be.

15.3 A person becoming entitled to a Share or other security in issue by the Company by reason of the death or bankruptcy or liquidation or dissolution of a Member (or in any other case than by transfer) shall be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered holder of such Share or such other security in issue by the Company. However, he shall not, before becoming a Member in respect of a Share or the registered holder of such other security in issue by the Company, be entitled in respect of it to exercise any right conferred by membership in relation to general meetings of the Company and the Directors may at any time give notice requiring any such person to elect either to be registered himself or to have some person nominated by him become the holder of the Share or such other security in issue by the Company (but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share or such other security in

issue by the Company by the relevant Member or registered holder of such other security before his death or bankruptcy or liquidation or dissolution or any other case than by transfer, as the case may be). If the notice is not complied with within ninety days the Directors may thereafter withhold payment of all Dividends, bonuses or other monies payable in respect of the Share or other security in issue by the Company until the requirements of the notice have been complied with.

16 Amendments of Memorandum and Articles of Association and Alteration of Capital

16.1 The Company may by Ordinary Resolution:

(a) increase the share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;

(c) by subdivision of its existing Shares or any of them divide the whole or any part of its share capital into Shares of smaller amount than is fixed by the Memorandum or into Shares without par value; and

(d) cancel any Shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

16.2 All new Shares created in accordance with the provisions of the preceding Article shall be subject to the same provisions of the Articles with reference to the payment of calls, transfer, transmission, forfeiture and otherwise as the Shares in the original share capital.

16.3 Subject to the provisions of the Statute and the provisions of these Articles as regards the matters to be dealt with by Ordinary Resolution, the Company may by Special Resolution:

(a) change its name;

(b) alter or add to these Articles;

(c) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein; and

(d) reduce its share capital and any capital redemption reserve fund.

17 Registered Office

Subject to the provisions of the Statute, the Company may by resolution of the Directors change the location of its Registered Office.

18 General Meetings

18.1 All general meetings other than annual general meetings shall be called extraordinary general meetings.

18.2 The Company may, but shall not (unless required by Statute) be obliged to hold a general meeting in each year as its annual general meeting. If an annual general meeting is held, it shall be specified as such in the notices calling it. Any such annual general meeting shall be held at such time and place outside the United States of America and outside the United Kingdom as the Directors shall appoint and if no other time and place is prescribed by them, it shall be held at the principal office of the Company outside of the United States of America and outside the United Kingdom on the second Wednesday in October at ten o'clock in the morning. At any annual general meeting, the report of the Directors (if any) shall be presented.

18.3 The Directors may call general meetings, and they shall on a Members requisition proceed to convene an extraordinary general meeting of the Company. Any such extraordinary general meeting shall be held at such time and place outside the United States of America and outside the United Kingdom as the Directors shall appoint and if no other time and place is prescribed to them, it shall be held at the principal

office of the Company outside the United States of America and the United Kingdom on the first Wednesday falling after fourteen days after the notice of such extraordinary general meeting at ten o'clock in the morning.

18.4 A Members requisition is a requisition of Members of the Company holding at the date of deposit of the requisition not less than fifteen per cent. in par value of the capital of the Company which as at that date carries the right of voting at general meetings of the Company.

18.5 The requisition must state the objects of the general meeting and must be signed by the requisitionists and deposited at the Registered Office or at such other place as is specified for that purpose in the notice convening the general meeting, and may consist of several documents in like form each signed by one or more requisitionists.

18.6 If the Directors do not within twenty-one days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further twenty-one days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any general meeting so convened shall not be held after the expiration of three months after the expiration of the said twenty-one days.

18.7 A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

19 Notice of General Meetings

19.1 At least twenty-one days' notice shall be given of any annual general meeting and at least fourteen days' notice shall be given of any extraordinary general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the general meeting and the general nature of the business and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all the Members (or their proxies) entitled to attend and vote thereat; and

(b) in the case of an extraordinary general meeting, by a majority in number of the Members (or their proxies) having a right to attend and vote at the general meeting, being a majority together holding not less than ninety five per cent. in par value of the Shares giving that right.

19.2 The accidental omission to give notice of a general meeting to, or the non receipt of notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings of that general meeting.

20 Proceedings at General Meetings

20.1 No business shall be transacted at any general meeting unless a quorum is present. Two Members being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorised representative or proxy shall be a quorum unless the Company has only one Member entitled to vote at such general meeting in which case the quorum shall be that one Member present in person or by proxy or (in the case of a corporation or other non-natural person) by a duly authorised representative or proxy.

20.2 A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the general meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that general meeting.

20.3 A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or, being

corporations, signed by their duly authorised representatives) shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held.

20.4 If a quorum is not present within half an hour from the time appointed for the general meeting or if during such a general meeting a quorum ceases to be present, the general meeting, if convened upon the requisition of Members, shall be dissolved and in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day, time or such other place as the Directors may determine, and if at the adjourned general meeting a quorum is not present within half an hour from the time appointed for the general meeting the Members present shall be a quorum.

20.5 The chairman, if any, of the board of Directors shall preside as chairman at every general meeting of the Company, or if there is no such chairman, or if he shall not be present within fifteen minutes after the time appointed for the holding of the general meeting, or is unwilling to act, the Directors present shall elect one of their number to be chairman of the general meeting.

20.6 If no Director is willing to act as chairman or if no Director is present within fifteen minutes after the time appointed for holding the general meeting, the Members present shall choose one of their number to be chairman of the general meeting.

20.7 The chairman may, with the consent of a general meeting at which a quorum is present, (and shall if so directed by the general meeting), adjourn the general meeting from time to time and from place to place, but no business shall be transacted at any adjourned general meeting other than the business left unfinished at the general meeting from which the adjournment took place. When a general meeting is adjourned for thirty days or more, notice of the adjourned general meeting shall be given as in the case of an original general meeting. Otherwise it shall not be necessary to give any such notice.

20.8 Resolutions put to the vote of the general meeting shall be decided by poll and, not on a show of hands.

20.9 A poll shall be taken as the chairman directs, and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded.

20.10 A poll on a question of adjournment shall be taken forthwith. A poll on any other question shall be taken at such time as the chairman of the general meeting directs.

21 Votes of Members

21.1 Subject to any rights or restrictions attached to any Shares and as set out in these Articles, on a poll every Member shall have one vote for every Share of which he is the holder.

21.2 In the case of joint holders of record the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register of Members.

21.3 A Member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote by his committee, receiver, curator bonis, or other person on such Member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

21.4 No person shall be entitled to vote at any general meeting or at any separate general meeting of the Members who hold a class of Shares unless he is registered as a Member on the record date for such general meeting nor unless all calls or other monies then payable by him in respect of Shares have been paid.

21.5 No objection shall be raised to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at the general meeting shall be valid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive.

21.6 Votes may be cast either personally or by proxy. A Member may appoint more than one proxy or the same proxy under one or more instruments to attend and vote at a general meeting.

21.7 A Member holding more than one Share need not cast the votes in respect of his Shares in the same way on any resolution and therefore may vote a Share or some or all such Shares either for or against a resolution and/or abstain from voting a Share or some or all of the Shares and, subject to the terms of the instrument appointing him, a proxy appointed under one or more instruments may vote a Share or some or all of the Shares in respect of which he is appointed either for or against a resolution and/or abstain from voting any such Shares.

22 Proxies

22.1 Subject to Article 22.5, the instrument appointing a proxy shall be in writing, be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation under the hand of an officer or attorney duly authorised for that purpose. A proxy need not be a Member of the Company.

22.2 The instrument appointing a proxy shall be deposited at the Registered Office or at such other place as is specified for that purpose in the notice convening the general meeting, or in any instrument of proxy sent out by the Company:

(a) not less than 48 hours before the time for holding the general meeting or adjourned general meeting at which the person named in the instrument proposes to vote; or

(b) in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or

(c) where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded be delivered at the general meeting at which the poll was demanded to the chairman or to the secretary or to any Director,

provided that the Directors may in the notice convening the general meeting, or in an instrument of proxy sent out by the Company, direct that the instrument appointing a proxy may be deposited (no later than the time for holding the general meeting or adjourned general meeting) at the Registered Office or at such other place as is specified for that purpose in the notice convening the general meeting, or in any instrument of proxy sent out by the Company. The chairman may in any event at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited. An instrument of proxy that is not deposited in the manner permitted shall be invalid.

22.3 The instrument appointing a proxy may be in any usual or common form and may be expressed to be for a particular general meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.

22.4 Votes given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given unless notice in writing of such death, insanity, revocation or transfer was received by the Company at the Registered Office, or at such other place as is specified for that purpose in the notice convening the general meeting, before the commencement of the general meeting, or adjourned general meeting at which it is sought to use the proxy.

22.5 If Euroclear Nederland is a Member, instead of an appointment in writing on the terms specified in Articles 22.1 — 22.4, Euroclear Nederland shall be deemed by operation of this Article to have granted a standing proxy in favour of the Euroclear Agent to act as its representative at any or all general meetings of the Members, and to exercise or benefit from all other rights of Euroclear Nederland as a Member, until revoked by Euroclear Nederland, the Euroclear Agent being entitled to exercise or, as applicable, benefit from, the same rights on behalf of Euroclear Nederland as if it were itself a Member, including the power to demand or join or concur in demanding a poll. The Euroclear Agent may itself appoint a proxy or proxies in favour of any person or persons in respect of any Share or Shares the subject of Euroclear Nederland's interest as a Member, any such proxy to be granted pursuant to an instrument in writing on the terms specified in Articles 22.1 — 22.4 and to specify the number and, if applicable, class of Shares in respect of which the

proxy is granted, and any holder of such a proxy will in turn be entitled to exercise the same rights on behalf of Euroclear Nederland in respect of the Share(s) the subject of such proxy as if such holder were itself a Member, including the power to demand or join or concur in demanding a poll. Euroclear Nederland, or its proxy, may cast a split vote on the Shares of which it is the registered holder in connection with any resolution submitted for approval to the holders of Shares or any other corporate action to be taken by the Company.

23 Corporate Members

Any corporation or other non-natural person which is a Member may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any general meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member.

24 Shares that May Not be Voted

Shares in the Company that are beneficially owned by the Company shall not be voted, directly or indirectly, at any general meeting and shall not be counted in determining the total number of outstanding Shares at any given time.

25 Directors

There shall be a board of Directors consisting of not less than five persons a majority of which shall be non-executive Directors of which two shall be "independent" as that term is defined by the Combined Code from time to time; provided, however, that the Company may from time to time by Ordinary Resolution increase or reduce the limits in the number of Directors and the number of which are required to be "independent". The first Directors of the Company shall be determined in writing by, or appointed by a resolution of, the subscriber(s) to the Memorandum. Alternate Directors may be appointed, provided that such Alternate Directors are not located within the United States of America.

26 Powers of Directors

26.1 Subject to the provisions of the Statute, the Memorandum and the Articles and to any directions given by Special Resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. A duly convened meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.

26.2 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall determine by resolution.

26.3 The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

26.4 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

26.5 The Directors may exercise the voting power conferred by the shares in any body corporate held or owned by the Company in such manner in all respects as it thinks fit (including without limitation the exercise of that power in favour of any resolution appointing its members or any of them directors of such body corporate, or voting or providing for the payment of remuneration to the directors of such body corporate).

27 Appointment and Retirement of Directors

27.1 At every annual general meeting one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office; but if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or re-appointment, he shall retire at that annual general meeting.

27.2 Subject to the provisions of the Statute and these Articles, the Directors to retire by rotation shall be, first, those who wish to retire and not be re-appointed to office and, second, those who have been longest in office since their last appointment or re-appointment. As between persons who became or were last re-appointed Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Directors at the date of the notice convening the annual general meeting. No Director shall be required to retire or be relieved from retiring or be retired by reason of any change in the number or identity of the Directors after the date of the notice but before the close of the meeting.

27.3 If the Company does not fill the vacancy at the meeting at which a Director retires by rotation or otherwise, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and lost.

27.4 No person other than a Director retiring by rotation shall be appointed a Director at any general meeting unless:

(a) he is recommended by the Directors; or

(b) not less than seven nor more than 42 days before the date appointed for the meeting, notice by a member qualified to vote at the meeting (not being the person to be proposed) has been received by the Company of the intention to propose that person for appointment stating the particulars which would, if he were so appointed, be required to be included in the Company's register of Directors, together with notice by that person of his willingness to be appointed.

27.5 Except as otherwise authorised by the Statute, a motion for the appointment of two or more persons as Directors by a single resolution shall not be made unless a resolution that it should be so made has first been agreed to by the meeting without any vote being given against it.

27.6 Subject as aforesaid, the Company may by Ordinary Resolution appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director and may also determine the rotation in which any additional Directors are to retire. The appointment of a person to fill a vacancy or as an additional Director shall take effect from the end of the meeting.

27.7 The Directors may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an additional Director and in either case whether or not for a fixed term. Irrespective of the terms of his appointment, a Director so appointed shall hold office only until the next following annual general meeting and shall not be taken into account in determining the Directors who are to retire by rotation at the meeting. If not re-appointed at such annual general meeting, he shall vacate office at its conclusion.

27.8 A Director who retires at an annual general meeting may, if willing to act, be re-appointed. If he is not re-appointed, he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the meeting.

28 Disqualification and Removal of Directors

28.1 The office of a Director shall be vacated if:

(a) he ceases to be a Director by virtue of any provisions of the Statute or these Articles or he becomes prohibited by law from being a Director; or

(b) he dies, becomes bankrupt or makes any arrangement or composition with his creditors generally; or

(c) he is found to be or becomes of unsound mind; or

(d) he resigns his office by notice to the Company or, having been appointed for a fixed term, the term expires or his office as a Director is vacated pursuant to Article 27.7; or

(e) he has been absent for more than six consecutive months without permission of the Directors from meetings of the Directors held during that period and his alternate Director (if any) has not attended in his place during that period and the Directors resolve that his office be vacated; or

(f) he is requested to resign in writing by not less than a majority of the other Directors. In calculating the number of Directors who are required to make such a request to the Director, (i) an alternate Director appointed by him acting in his capacity as such shall be excluded; and (ii) a Director and any alternate Director appointed by him and acting in his capacity as such shall constitute a single Director for this purpose, so that execution by either shall be sufficient.

28.2 The Company may, without prejudice to the provisions of the Statute, by Ordinary Resolution remove any Director from office (notwithstanding any provision of these Articles or of any agreement between the Company and such Director, but without prejudice to any claim he may have for damages for breach of any such agreement). No special notice need be given of any resolution to remove a Director in accordance with this Article and no Director proposed to be removed in accordance with this Article has any special right to protest against his removal. The Company may, by Ordinary Resolution, appoint another person in place of a Director removed from office in accordance with this Article. Any person so appointed shall, for the purpose of determining the time at which he or any other Director is to retire by rotation, be treated as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. In default of such appointment the vacancy arising on the removal of a Director from office may be filled as a casual vacancy.

29 Proceedings of Directors

29.1 The quorum for the transaction of the business of the Directors may be fixed by the Directors at any time and from time to time, including at a meeting, and unless so fixed shall be two , provided that there shall be no quorum unless the majority of the Directors attending the meeting, of which one shall be the Chairman, are physically situated outside the UK for the duration of the meeting.

29.2 Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes but no decision shall be taken at any meeting, for so long as the number of Independent Directors holding office comprise less than one half of the total number of Directors, unless the decision has been approved by a majority of the Directors voting and (i) a majority of the Independent Directors (where the number of Independent Directors is not a multiple of two) and (ii) by one half of the Independent Directors (where the number of Independent Directors is a multiple of two) and (iii) by the sole Independent Director in the event there is only one Independent Director. If the issued shares of the Company are admitted to listing on the Official List of the UK Listing Authority, the foregoing sentence shall cease to apply and questions arising at any meeting shall be decided by a majority of votes.

29.3 A person may participate in a meeting of the Directors or committee of Directors by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other at the same time provided that, in accordance with Article 29.1 above, a meeting shall not be quorate unless the majority of those participating (by person and by telephone or other communications equipment) are physically situated outside the UK for the duration of the meeting. Participation by a person in a meeting in this manner is treated as presence in person at that meeting and such person shall be entitled to vote and be counted in a quorum accordingly. Unless otherwise determined, the meeting shall be deemed to take place where it is convened to be held or (if no Director is present in that place) where the largest group of those participating is assembled, or, if there is no such group, where the Chairman of the meeting is. No meetings shall be convened to be held in the UK and any meeting held in the UK shall be invalid.

29.4 A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of Directors shall be as valid and effectual as if it had been passed at a meeting of the

Directors, or committee of Directors as the case may be, duly convened and held provided that the majority of Directors were physically situated outside the UK at the time of signing the resolution.

29.5 A Director may, or other officer of the Company on the requisition of a Director shall, call a meeting of the Directors by at least two days' notice in writing to every Director which notice shall set forth the general nature of the business to be considered unless notice is waived by all the Directors either at, before or after the meeting is held.

29.6 The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose.

29.7 The Directors may elect a Chairman and determine the period for which he is to hold office; but if no such Chairman is elected, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number who is Independent to be chairman of the meeting. If the Chairman is not available to carry out the responsibilities from time to time assigned to him in his position as Chairman, the Directors may choose one of their number who is Independent to carry out such responsibilities for so long as the Chairman is so unavailable.

29.8 All acts done by any meeting of the Directors or of a committee of Directors shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director, or any member of the committee, or that they or any of them were disqualified, or had vacated office or were not entitled to vote, be as valid as if every such person had been duly appointed and qualified to be a Director as the case may be.

29.9 A Director may be represented at any meetings of the board of Directors by a proxy appointed in writing by him. The proxy shall count towards the quorum and the vote of the proxy shall for all purposes be deemed to be that of the appointing Director.

30 Presumption of Assent

A Director of the Company who is present at a meeting of the board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

31 Directors' Interests

31.1 A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.

31.2 A Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

31.3 A Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.

31.4 No person shall be disqualified from the office of Director by reason of or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director shall be in any way interested be or be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. No contract or transaction between the

Company and one or more of its Directors or officers, or between the Company and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are Directors or officers of the Company, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Directors or the committee, and the Directors or the committee in good faith authorize the contract or transaction by the affirmative votes of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Members entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the Members; or (iii) the contract or transaction is fair as to the Company as of the time it is authorized, approved or ratified, by the Directors, a committee thereof or the Members. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Directors or of a committee which authorizes the contract or transaction.

31.5 A general notice that a Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for the purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

32 Minutes

The Directors shall cause minutes to be made in books kept for the purpose of all appointments of officers made by the Directors, all proceedings at general meetings of the Company or meetings of the Members who hold any class of Shares and of meetings of the Directors, and of committees of Directors including the names of the Directors present at each meeting.

33 Delegation of Directors' Powers

33.1 The Directors may delegate any of their powers to any committee consisting of one or more Directors, provided that the composition of any committee so created shall first be approved by the Chairman and any change to the composition of any committee so created be approved by the Chairman. They may also delegate to any managing director or any Director holding any other executive office such of their powers as they consider desirable to be exercised by him provided that the appointment of a managing director shall be revoked forthwith if he ceases to be a Director. Any such delegation shall, in the absence of express provision to the contrary in the terms of delegation, be deemed to include authority to sub-delegate to one or more Directors (whether or not acting as a committee) or to any employee or agent of the Company all or any of the powers delegated and may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered. The Directors may co-opt on to any such committee persons other than Directors, who may enjoy voting rights in the committee, provided that the appointment of any Related Party to any such committee is subject to the prior written approval of the Chairman. The co-opted members shall be less than one-half of the total membership of the committee and a resolution of any committee shall be effective only if a majority of the members present are Directors. Subject to any such conditions, the proceedings of a committee of Directors shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying (and the provisions contained in Article 29 regarding the location of meetings shall be deemed to be capable of applying).

33.2 The non-executive Directors referred to in Article 25 shall constitute a committee of Directors responsible for, among other things, considering matters relating to financial controls and reporting, internal and external audits, the scope and results of audits, the independence and objectivity of auditors. Such committee will monitor and review the Company's audit function and, with the involvement of the Company's independent auditor, will focus on compliance with applicable legal and regulatory requirements and accounting standards. The committee will be responsible for establishing and reviewing material aspects of the Company's policy on compensation of directors and officers. The proceedings of the committee shall be

governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying (and the provisions contained in Article 29 regarding the location of meetings shall be deemed to be capable of applying).

33.3 The Directors may establish any other committees, local boards or agencies or appoint any person to be a manager or agent for managing the affairs of the Company and may appoint any person to be a member of such committees or local boards and may fix their remuneration. Any such appointment may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject to any such conditions, the proceedings of any such committee, local board or agency shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying (and the provisions contained in Article 29 regarding the location of meetings shall be deemed to be capable of applying).

33.4 The Directors may by power of attorney or otherwise appoint any person to be the agent of the Company on such conditions as the Directors may determine, provided that the delegation is not to the exclusion of their own powers and may be revoked by the Directors at any time.

33.5 The Directors may by power of attorney or otherwise appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or authorised signatory of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorneys or authorised signatories as the Directors may think fit and may also authorise any such attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in him.

33.6 The Directors may appoint such officers as they consider necessary on such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors may think fit provided that the employment or engagement of any Related Party is subject to the prior approval of the Chairman. Unless otherwise specified in the terms of his appointment an officer may be removed by resolution of the Directors or Members.

34 No Minimum Shareholding

The Company in general meeting may fix a minimum shareholding required to be held by a Director, but unless and until such a shareholding qualification is fixed a Director is not required to hold Shares.

35 Directors' Expenses

35.1 The Directors may be paid all travelling, hotel, and other expenses properly incurred by them in connection with their attendance at meetings of the Directors or committees of the Directors, general meetings or separate meetings of the Members of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

36 Non-Executive Directors

36.1 Subject to the provisions of the Statute, the Directors may enter into, vary and terminate an agreement or arrangement with any Director who does not hold executive office for the provision of his services to the Company. Subject to Article 36.2 and 36.3, any such agreement or arrangement may be made on such terms as the Directors determine.

36.2 The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of these Articles) shall not exceed in aggregate £50,000 per annum or such higher amount as the Company may from time to time by Ordinary Resolution determine. Subject thereto, each such Director shall be paid a fee for their services (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Directors.

36.3 Any Director who does not hold executive office and who performs special services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may (without prejudice to

the provisions of Article 36.2) be paid such extra remuneration by way of additional fee, salary, commission or otherwise as the Directors may determine.

37 Executive Directors

37.1 Subject to the provisions of the Statute, the Directors may appoint one or more of its body to be the holder of any executive office (except that of auditor) in the Company and may enter into an agreement or arrangement with any such Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made on such terms, including without limitation terms as to remuneration, as the Directors determine. The Directors may revoke or vary any such appointment but without prejudice to any rights or claims which the person whose appointment is revoked or varied may have against the Company because of the revocation or variation.

37.2 Any appointment of a Director to an executive office shall terminate if he ceases to be a Director but without prejudice to any rights or claims which he may have against the Company by reason of such cessation. A Director appointed to an executive office shall not cease to be a Director merely because his appointment to such executive office terminates.

37.3 The emoluments of any Director holding executive office for his services as such shall be determined by the Directors, and may be of any description, including without limitation admission to, or continuance of, membership of any scheme (including any share acquisition scheme) or fund instituted or established or financed or contributed to by the Company for the provision of pensions, life assurance or other benefits for employees or their dependants, or the payment of a pension or other benefits to him or his dependants on or after retirement or death, apart from membership of any such scheme or fund.

38 Seal

38.1 The Company may, if the Directors so determine, have a Seal. The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors. Every instrument to which the Seal has been affixed shall be signed by at least one person who shall be either a Director or some officer or other person appointed by the Directors for the purpose.

38.2 The Company may have for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.

38.3 A Director or officer, representative or attorney of the Company may without further authority of the Directors affix the Seal over his signature alone to any document of the Company required to be authenticated by him under seal or to be filed with the Registrar of Companies or elsewhere wheresoever.

39 Dividends, Distributions and Reserve

39.1 Subject to the Statute and these Articles, the Directors may declare Dividends and distributions on Shares in issue and authorise payment of the Dividends or distributions out of the funds of the Company lawfully available therefor. No Dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account or as otherwise permitted by the Statute.

39.2 Except as otherwise provided by the rights attached to Shares and subject to these Articles, all Dividends shall be declared and paid according to the par value of the Shares that a Member holds. If any Share is issued on terms providing that it shall rank for Dividend as from a particular date, that Share shall rank for Dividend accordingly.

39.3 The Directors may deduct from any Dividend or distribution payable to any Member all sums of money (if any) then payable by him to the Company on account of calls or otherwise.

39.4 The Directors may declare that any Dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may

settle the same as they think expedient and in particular may issue fractional Shares and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.

39.5 Any Dividend, distribution, interest or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the Register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any Dividends, bonuses, or other monies payable in respect of the Share(s) held by them as joint holders.

39.6 No Dividend or distribution shall bear interest against the Company.

39.7 Any Dividend which cannot be paid to a Member and/or which remains unclaimed after six months from the date of declaration of such Dividend may, in the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the Dividend shall remain as a debt due to the Member. Any Dividend which remains unclaimed after a period of six years from the date of declaration of such Dividend shall be forfeited and shall revert to the Company.

40 Capitalisation

40.1 The Directors may capitalise any sum standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution **("Distributable Reserves")** and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of Dividend and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid.

40.2 The Directors shall appropriate and capitalise such Distributable Reserves as required to issue, fully-paid Shares to relevant Members pursuant to the terms of the Contingent Consideration Agreement, the Contingent Fee Agreement and the "Fee Shares" pursuant to the Contingent Subscription Agreement notwithstanding and without regard to the proportionality requirements set out in Article 40.1.

40.3 The Directors shall do all acts and things required to give effect to the above-mentioned capitalisations, with full power to the Directors to make such provisions as they think fit for the case of Shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned

41 Books of Account

41.1 The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

41.2 The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company in general meeting.

41.3 The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

42 Audit

42.1 The committee of "independent" Directors constituted pursuant to Article 33.2, shall appoint an Auditor of the Company who shall hold office until removed from office by a resolution of the Directors or the committee of independent Directors constituted pursuant to Article 33.2, and may fix his or their remuneration.

42.2 Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the Auditor.

42.3 Auditors shall, if so required by the committee of independent Directors constituted pursuant to Article 33.2, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an ordinary company, and at the next extraordinary general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an exempted company, and at any other time during their term of office, upon request of the committee of independent Directors constituted pursuant to Article 33.2 or any general meeting of the Members.

43 Notices

43.1 Notices shall be in writing and may be given by the Company to any Member either personally or by sending it by courier, post, cable, telex, fax or e-mail to him or to his address as shown in the Register of Members (or where the notice is given by e-mail by sending it to the e-mail address provided by such Member). Any notice, if posted from one country to another, is to be sent airmail.

43.2 Where a notice is sent by courier, service of the notice shall be deemed to be effected by delivery of the notice to a courier company, and shall be deemed to have been received on the third day (not including Saturdays or Sundays or public holidays) following the day on which the notice was delivered to the courier. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre paying and posting a letter containing the notice, and shall be deemed to have been received on the fifth day (not including Saturdays or Sundays or public holidays) following the day on which the notice was posted. Where a notice is sent by cable, telex or fax, service of the notice shall be deemed to be effected by properly addressing and sending such notice and shall be deemed to have been received on the same day that it was transmitted. Where a notice is given by e-mail service shall be deemed to be effected by transmitting the e-mail to the e-mail address provided by the intended recipient and shall be deemed to have been received on the same day that it was sent, and it shall not be necessary for the receipt of the e-mail to be acknowledged by the recipient.

43.3 A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member in the same manner as other notices which are required to be given under these Articles and shall be addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

43.4 Notice of every general meeting shall be given in any manner hereinbefore authorised to every person shown as a Member in the Register of Members on the record date for such general meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the Register of Members and every person upon whom the ownership of a Share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of record

but for his death or bankruptcy would be entitled to receive notice of the general meeting, and no other person shall be entitled to receive notices of general meetings.

44 Winding Up

44.1 If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the relevant Members in proportion to the par value of the applicable Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the relevant Members in proportion to the par value of the applicable Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

44.2 If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

45 Indemnity

Unless, and to the extent, otherwise agreed between a Director or officer and the Company in relation to such Director or officer, every Director or officer of the Company (including for the purpose of this Article former Directors and former officers) shall be indemnified out of the assets of the Company against any liability incurred by him as a result of any act or failure to act in carrying out his functions other than such liability (if any) that he may incur by his own actual fraud or wilful default. No such Director or officer shall be liable to the Company for any loss or damage, including monetary damages, in carrying out his functions unless that liability arises through the actual fraud or wilful default of such Director or officer. No person shall be found to have committed actual fraud or wilful default under this Article unless or until a court of competent jurisdiction shall have made a finding to that effect.

46 Financial Year

The financial year of the Company shall be determined by the board of Directors.

47 Transfer by way of Continuation

If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

48 Disclosure of Information to Regulators

Each Member hereby agrees that the Company and or the Directors as they deem necessary in their absolute discretion and without requirement or obligation to obtain further consent may disclose all information (including confidential information) held by the Company or the Directors in relation to each Member to any regulator in any country including, without limitation and for the avoidance of doubt, the Financial Services Authority (or successor body) of the United Kingdom.

49 Takeover Provisions

49.1 A person must not (other than solely as custodian or depositary (or nominee thereof) under any arrangements implemented and/or approved by the Directors under Article 4.2):

(a) whether by himself, or with persons determined by the Directors to be acting in concert with him, acquire after the Effective Date any Shares which, taken together with other Shares held or acquired after the Effective Date by him or by persons determined by the Directors to be acting in concert with him, carry 30 per cent. or more of the voting rights attributable to the Shares; or

(b) whilst he, together with persons determined by the Directors to be acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights attributable to the Shares, acquires after the Effective Date, whether by himself or with persons determined by the Directors to be acting in concert with him, additional Shares which, taken together with Shares held by him or by persons determined by the Directors to be acting in concert him, increases his voting rights attributable to the Shares,

(each of the provisions set out at (a) and (b) above, being referred to herein as a **"Limitation"**), except as a result of a Permitted Acquisition; or

(c) effect or purport to effect a Prohibited Acquisition.

49.2 Where any person breaches any Limitation, except as a result of a Permitted Acquisition, or becomes interested in any Shares as a result of a Prohibited Acquisition, that person is in breach of these Articles.

49.3 The Directors may, do all or any of the following where they have reason to believe that any Limitation is or may be breached or any Prohibited Acquisition has been or may be effected:

(a) require any Member or person appearing or purporting to be interested in any Shares to provide such information as the Directors consider appropriate to determine any of the matters under this Article 49;

(b) have regard to such public fillings as they consider appropriate to determine any of the matters under this Article 49;

(c) make such determinations under this Article 49 as they think fit, either after calling for submissions from affected Members or other persons or without calling for such submissions;

(d) determine that the voting rights attached to such number of Shares held by such persons as the Directors may determine to be held, or in which such persons are or may be interested, in breach of these Articles **("Excess Shares")** are from a particular time incapable of being exercised for a definite or indefinite period;

(e) determine that some or all of the Excess Shares must be sold;

(f) determine that some or all of the Excess Shares will not carry any right to any dividends or other distributions from a particular time for a definite or indefinite period; and

(g) take such other action as they think fit for the purposes of this Article 49 including:

(i) prescribing rules (not inconsistent with this Article 49);

(ii) setting deadlines for the provision of information;

(iii) drawing adverse inferences where information requested is not provided;

(iv) converting any Excess Shares held in uncertificated form into certificated form, or vice-versa;

(v) paying costs and expenses out of proceeds of sale of Excess Shares; and

(vi) changing any decision or determination or rule previously made.

49.4 An acquisition is a **"Permitted Acquisition"** if:

(a) the Directors consent to the acquisition (even if, in the absence of such consent, the acquisition would be a Prohibited Acquisition), or

(b) the acquisition is made in circumstances in which the City Code, if it applied to the Company, would require an offer to be made as a consequence and such offer is made in accordance with Rule 9 of the City Code, as if it so applied; or

(c) if the acquisition arises from repayment of a stock borrowing arrangement (on arm's length commercial terms).

49.5 An acquisition is a **"Prohibited Acquisition"** if Rules 4, 5, 6 or 8 of the City Code from time to time would in whole or part apply to the acquisition if the Company was subject to the City Code and the acquisition was made (or, if not yet made, would if and when made be) in breach of or otherwise would not comply with the provisions of Rules 4, 5, 6 or 8 of the City Code from time to time.

49.6 The Directors have full authority to determine the application of this Article 49, including as to the deemed application of the whole or any part of the City Code. Such authority shall include all discretion vested in the United Kingdom's Panel on Takeovers and Mergers as if the whole or any part of the City Code applied including, without limitation, the determination of conditions and consents, the consideration to be offered and any restrictions on the exercise of control. Any resolution or determination of, or decision or exercise of any discretion or power by, the Directors or any Director or by the chairman of any meeting acting in good faith under or pursuant to the provisions of this Article 49 shall be final and conclusive; and anything done by, or on behalf of, or on the authority of, the Directors or any Director acting in good faith pursuant to the provisions of this Article 49 shall be conclusive and binding on all persons concerned and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Directors shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this Article 49.

49.7 Any one or more of the Directors may act as the duly appointed agent(s) and/or, to the extent permitted by law, attorney(s) of any Member in relation to the execution of documents and other actions to be taken for the sale of Excess Shares determined by the Directors under this Article 49.

49.8 The powers granted to the Directors under this Article 49 (specifically under Articles 49.3, 49.4, 49.6 and 49.7) shall be exercisable only by those Directors who are not a party to or are otherwise interested, directly or indirectly, in any relevant transaction or arrangement giving rise to the application of this Article 49, other than in their capacity as a director and/or employee of the Company or any of its subsidiaries.

49.9 This Article 49 shall only have effect during such times as the City Code does not apply to the Company.

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

Form of
The Long Term Incentive Plan

Approved by resolution of shareholders in the general meeting held on • 2009

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THE LONG TERM INCENTIVE PLAN

RULES

1. Definitions

1.1 In this Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings, namely:

Adoption Date means the date of adoption of the Plan by the Company in general meeting;

Award means an award granted under rule 2 in the form of an Option, Forfeitable Shares, a Conditional Award or a Phantom Award;

Award Certificate means the notification to a Participant setting out the specific conditions of an Award in such form as the Committee may determine from time to time;

Basic Salary means an Executive's annual gross basic salary in respect of his employment with the Group;

Capital Reorganisation means any variation in the share capital or reserves of the Company (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation or reduction);

Cash Amount means, in relation to an Award which has Vested, an amount which, in the opinion of the Committee, is equal to the Market Value on the Vesting Date of the Vested Shares less any amount which the Participant is required to pay under these rules in order to realise the Award;

Committee means the remuneration committee of the board of directors of the Company;

Company means Liberty Acquisition Holdings (International) Company (incorporated in the Cayman Islands under company number 20217);

Conditional Award means an Award which takes the form of a contingent right to acquire or receive Shares at no or nominal cost;

Control has the meaning given to it by section 995 of the Income Tax Act 2007;

Date of Grant means the date on which the Committee grants an Award;

Dealing Day means a date on which the Euronext or, if the Company's ordinary shares are admitted to trading on the Official List of the London Stock Exchange, the London Stock Exchange, is open for the transaction of business;

Employees' Share Scheme has the meaning given by section 743 of the Companies Act 1985 or, from 1 October 2009, section 1166 of the Companies Act 2006;

Euronext means Euronext Amsterdam N.V.;

Executive means any employee (including an executive director) of any member of the Group;

Financial Year means an accounting reference period of the Company as determined in accordance with section 391 of the Companies Act 2006;

Forfeitable Shares means Shares which are the subject of an Award of which the Participant has beneficial ownership from the Date of Grant subject to forfeiture or lapse as set out in the agreement referred to in rule 3.1;

Grant Period means:

(a) for so long as the Company is listed on Euronext, any day after the Adoption Date (subject to any applicable dealing restrictions of the Company from time to time); or

(b) at any time after the Company's ordinary shares are admitted to trading on the Official List of the London Stock Exchange, any day within the period of 42 days commencing on:

(i) the date of that admission;

(ii) the day on which the Company makes an announcement of its results for any period; or

(iii) any day on which the Committee resolves that exceptional circumstances exist that justify the grant of Awards;

Group means the Company and its Subsidiaries and ***member of the Group*** shall be construed accordingly;

HMRC means Her Majesty's Revenue & Customs;

the London Stock Exchange means London Stock Exchange plc or any successor body thereto;

Market Value means, in relation to Shares on any day, for so long as such Shares are listed on a recognised stock exchange, its middle-market quotation as derived from the relevant stock exchange on which the Shares are listed or otherwise as determined by the Committee;

Official List means the Official List of the UK Listing Authority;

Option means an Award which takes the form of an option to acquire Shares at no or nominal cost following Vesting;

Participant means an Executive who holds a subsisting Award or, where appropriate, his legal personal representatives;

the Performance Conditions means the performance conditions to be measured over the Performance Period as determined by the Committee at the Date of Grant;

the Performance Period means three years commencing on the first day of the Financial Year in which the Award is granted or such later date as the Committee may determine;

Phantom Award means an Award which takes the form of a right to call for a cash payment calculated by reference to the Market Value of a notional Share;

the Plan means this Long Term Incentive Plan as amended from time to time;

Redundancy means redundancy as defined within the meaning of section 139 of the Employment Rights Act 1996;

Shares means for Awards granted while the Company is listed on Euronext, fully paid B shares in the capital of the Company and for Awards granted after the date the Company's ordinary shares are admitted to trading on the London Stock Exchange, fully paid ordinary shares in the capital of the company, and in either case shares representing those shares following any Capital Reorganisation;

Subsidiary means any company which is a subsidiary of the Company within the meaning of section 3 of the Securities Investment Business Law (2004 Revision) of the Cayman Islands over which the Company has Control;

Termination Date means the date on which a Participant ceases to be employed by the Group;

Trustees means the trustees or trustee for the time being of any employee benefit trust established by the Company or any member of the Group from time to time for the benefit of employees of the Group;

UK Listing Authority means the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;

Vested Shares means Shares or notional Shares the subject of Awards in respect of which the Vesting Date has passed, and ***Vest*** and ***Vesting*** shall be construed accordingly;

Vesting Date means in respect of an Award the later of (i) the date on which the Committee has determined the Performance Conditions have been satisfied, and (ii) subject to rules 7.1, 7.3 and 11.8, the third anniversary of the Date of Grant, provided that, if the Vesting Date would otherwise fall on a date when the Company and/or the Participant would be subject to dealing restrictions, it shall be such later date as those dealing restrictions lift; and

Vesting Period means the period beginning on the Date of Grant and ending on the third anniversary of the Date of Grant.

1.2 References to any statute or statutory instrument or to any part or parts thereof include any modification, amendment or re-enactment thereof for the time being in force.

1.3 Words of the masculine gender shall include the feminine and vice versa and words in the singular shall include the plural and vice versa unless in either case the context otherwise requires or is otherwise stated.

2. Grant of Awards

2.1 Subject to the provisions contained in these rules, the Committee may, during a Grant Period, in its discretion, grant Awards to any Executives selected for participation by the Committee. When the Committee grants an Award, it shall decide whether the Award will take the form of an Option, Forfeitable Shares, a Conditional Award or a Phantom Award. An Executive may be granted any form of Award or any combination of Awards save that an Executive may only be granted a Phantom Award in circumstances where the grant of an award or option involving real shares or an allocation of forfeitable shares is not appropriate or feasible for legal, regulatory or tax reasons. References to "realise", "realised" or "realisable" shall, in the case of an Award which is granted in the form of an Option, be construed as "call for", "called for" or "may be called for" respectively and in the case of an Award which is granted in the form of Forfeitable Shares, be construed as "cease to be subject to forfeiture", "ceased to be subject to forfeiture" respectively.

2.2 Each Award shall be evidenced by an Award Certificate issued by the Company and shall be subject to such terms and conditions consistent with the Plan as the Committee may determine in its sole discretion. The Award Certificate shall state:

(i) whether the Award will take the form of an Option, Forfeitable Shares, a Conditional Award or a Phantom Award;

(ii) the Date of Grant;

(iii) the number of Shares (or in the case of an Award granted in the form of a Phantom Award, notional Shares) comprised in an Award;

(iv) whether the Participant has an obligation to enter into an agreement or election pursuant to rule 2.6; and

(v) the Performance Conditions that must be satisfied in order for the Award to Vest.

The Award may be evidenced by a deed and, in relation to an Award which takes the form of Forfeitable Shares, will be evidenced by the agreement mentioned in rule 3.1.

2.3 No Award shall be granted under the Plan more than ten years after the Adoption Date.

2.4 For the avoidance of doubt, no payment by the Participant shall be required on the grant of an Award.

2.5 Every Award granted under this Plan shall be personal to the Participant to whom it is granted and, except to the extent necessary to enable a personal representative to realise the Award following the death of a

Participant, neither the Award nor the benefit thereof may be transferred, assigned, charged or otherwise alienated. Any transfer of an Award otherwise than as permitted by this rule 2.5 shall cause an Award to lapse.

2.6 If the Committee so requires, the Participant will enter into an agreement or election pursuant to paragraphs 3A or 3B of Schedule 1 to the UK Social Security Contributions and Benefits Act 1992 and/or a joint election under Section 431 of the Income Tax (Earnings and Pensions) Act 2003 (as the Committee shall determine) with the relevant member of the Group by the fourteenth day following the transfer of Shares to the Participant pursuant to the Award, in which case the number of Shares subject to an Award may, at the discretion of the Committee, be increased (at the Date of Grant) to reflect that the Participant is bearing this liability provided that any such increase shall not breach the limits set out in rule 5.

2.7 In the case of an Award which is granted in the form of an Option or a Conditional Award, it shall be granted on terms that when it Vests, the number of Shares subject to the Award shall be increased by such number of Shares as could have been acquired with the amount of each cash dividend for which the dividend record falls between the Date of Grant and the Vesting Date, in each case calculated using the Market Value on the day the Shares are first quoted ex-dividend in respect of that dividend. This rule 2.7 shall not apply in respect of *dividends in specie* or such other dividends for which an adjustment is made under rule 14.

2.8 The grant of any Award shall be subject to any applicable dealing restrictions or approvals including where the Date of Grant occurs after the Company's ordinary shares have been admitted to trading on the Official List of the London Stock Exchange, the provisions of the Model Code for Securities Transactions by Directors of Listed Companies (or the Company's dealing rules) and to obtaining any approval or consent required under the provisions of the Listing Rules published by the UK Listing Authority or the City Code on Takeovers and Mergers or of any regulation or enactment applicable to such grant.

3. Awards which take the form of Forfeitable Shares

3.1 If an Award takes the form of Forfeitable Shares, the Executive must, before the Date of Grant, enter into an irrevocable agreement with the Company and, if different, the Executive's employing company, in such form as the Company may prescribe which shall include an agreement by the Executive:

(a) not to transfer, assign, sell, pledge, charge or otherwise dispose of any Shares subject to the Award except to the extent that the Award has Vested; and

(b) to transfer (or procure the transfer) to or to the order of the Company, for a total of one penny, all the Shares in respect of which the Award lapses.

3.2 If the Executive does not enter into the agreement before the Date of Grant, the Award will not be granted.

3.3 On or before the Date of Grant for an Award which takes the form of Forfeitable Shares, the Company shall (or the relevant employing company shall procure that the Company shall) issue or transfer to the Participant or to another person to be held as trustee or nominee for the Participant the number of Shares subject to the Award.

3.4 To the extent that an Award which takes the form of Forfeitable Shares Vests, the agreement referred to in rule 3.1 shall cease to have effect in relation to the Shares subject to it.

4. Performance Conditions

4.1 Each Award will be subject to objective Performance Conditions, which shall be determined by the Committee at the Date of Grant. Performance Conditions shall be applied wholly independently to Awards granted in different years provided that, in the reasonable opinion of the Committee, the new conditions are not materially less challenging in any year.

4.2 An Award will Vest as to the percentage of Shares (or, in the case of an Award which is granted in the form of a Phantom Award, notional Shares) determined in accordance with the Performance Conditions.

4.3 The Committee may determine that an Award should be subject to multiple Performance Conditions or that an Award should be sub-divided and that each part be subject to a different condition.

4.4 If an event or transaction occurs which causes the Committee to consider that the Performance Conditions subject to which a subsisting Award has been granted are no longer appropriate, the Committee may substitute or vary the Performance Conditions in such manner (and make such consequential amendments to the rules); as:

(a) is reasonable in the circumstances; and

(b) produces a fairer measure of performance and is neither materially more nor less difficult to satisfy.

The subsisting Award shall then take effect subject to the Performance Conditions as so substituted or varied.

4.5 The Committee shall, as soon as reasonably practicable, notify a Participant of any determination made under rule 4.4.

4.6 An Award shall lapse to the extent the Performance Conditions are not met at the relevant Vesting Date.

5. LIMITS

Individual Limits

5.1 Save as provided in rule 5.3 below, no Executive shall be granted an Award which would cause the aggregate of (i) the Market Value of the Shares which he may acquire on the Vesting of that Award (as determined at the proposed Date of Grant), and (ii) the aggregate of the Market Value of the Shares which he may acquire on Vesting of all other subsisting Awards granted to him under the Plan in the period of 12 months immediately prior to the proposed Date of Grant (such values to be determined as at the respective dates of grant of the relevant Awards), to exceed 300 per cent of his Basic Salary.

5.2 If the grant of any Award would have the result of breaching the limit in rule 5.1 that Award shall be treated as taking effect over the maximum number of Shares over which it could have been granted without breaching such limit.

5.3 The Committee may determine that in exceptional circumstances the limit in rule 5.1 above shall be increased to 400 per cent of Basic Salary.

Plan Limits

5.4 No Award shall be granted under the Plan to the extent that the result of that grant would be that the aggregate number of Shares that could be issued on the realisation of that Award and any other Award granted at the same time, when added to the number of Shares that:

(a) could be issued on the realisation of any subsisting awards or options granted during the preceding ten years under the Plan or any other Employees' Share Scheme established by the Company or any other company under the Company's control; and

(b) have been issued on the realisation of any awards or options granted during the preceding ten years under the Plan or any other Employees' Share Scheme established by the Company or any other company under the Company's control,

would exceed 10 per cent of the ordinary share capital of the Company for the time being in issue.

5.5 No Award shall be granted under the Plan to the extent that the result of that grant would be that the aggregate number of Shares that could be issued on the realisation of that Award and any other Award granted at the same time, when added to the number of Shares that:

(a) could be issued on the realisation of any subsisting awards or options granted during the preceding ten years under the Plan or any other discretionary share plans adopted by the Company or any other company under the Company's control; and

(b) have been issued on the realisation of any awards or options granted during the preceding ten years under the Plan or any other discretionary share plans adopted by the Company or any other company under the Company's control,

would exceed 5 per cent of the ordinary share capital of the Company for the time being in issue.

5.6 Reference in this rule 5 to the issue of Shares shall, for the avoidance of doubt, mean the issue and allotment (but not transfer) of Shares.

5.7 In determining the above limits no account shall be taken of:

(a) any Shares attributable to an Award which was released, lapsed, forfeited or otherwise became incapable of exercise; and

(b) any Shares which may be acquired pursuant to any Award as a result of the operation of rule 2.7.

5.8 Awards granted under the Plan or any other Employees' Share Scheme established by the Company before the date the Shares are admitted to trading on the Official List of the London Stock Exchange shall not be taken into account for the purpose of calculating the above limits.

6. VESTING OF AWARDS

6.1 Save as otherwise permitted in these rules an Award may only be realised:

(a) if the Award has Vested; and

(b) by a Participant who has remained an Executive during the Vesting Period.

6.2 Vested Shares under Conditional Awards will be released to Participants automatically within 30 days of the Vesting Date. A participant need take no action to realise a Conditional Award.

6.3 Vested Options are exercisable up until the tenth anniversary of the Date of Grant after which they will lapse. Where an Award is granted in the form of an Option, a Participant may exercise a Vested Option by written notice to the Company in the form required by the Company at any time during the period of 10 years following the Date of Grant SAVE THAT where the Vested Shares may be called for as a result of a relevant event occurring under rule 11, the Participant shall be deemed to have called for such Vested Shares on the occurrence of the relevant event.

6.4 Vested Forfeitable Shares will cease to be subject to the risk of forfeiture on Vesting.

6.5 Vested Phantom Awards shall be satisfied in the next available payroll following the Vesting Date by a payment equal to the Market Value of the Vested notional Shares under the Phantom Award on the Vesting Date.

6.6 Save as otherwise provided in these rules, an Award shall lapse automatically and unvested Forfeitable Shares shall be forfeited on the Participant ceasing to be an Executive at any time before the Vesting Date applicable to the Award.

7. LEAVERS

7.1 Where a Participant ceases to be an Executive at any time before the Vesting Date applicable to an Award by reason of:

(a) death;

(b) injury, disability or ill-health;

(c) Redundancy; or

(d) any other reason where the Committee so determines in its absolute discretion,

his Award shall continue, and will Vest and be realisable at the end of the Vesting Period subject to the achievement of the Performance Conditions at that time PROVIDED THAT in all cases where the Termination Date occurs before the expiry of any relevant Vesting Period and Awards are realised pursuant to this rule 7.1, the number of Shares in respect of which an Award may be realised shall be the number in respect of which the Award has Vested (subject to any adjustments under rule 14) multiplied by the fraction ***A/B*** (where ***A*** is that part of the Vesting Period measured in complete months from the start of the Vesting Period to the Termination Date and ***B*** is 36) SAVE THAT:

(a) the Committee may at its discretion, in exceptional circumstances, determine that Awards may be realised immediately in accordance with rule 7.3; and

(b) if the Participant ceases to be an Executive and his Award is preserved under rule 7.1, the Committee may, in its absolute discretion, disapply or alter the fraction stated above to release a greater number of Shares.

Failing any such realisation the Awards shall lapse automatically. For the avoidance of doubt, an Award realisable under this rule 7.1 and rule 7.2 below may lapse at an earlier date by virtue of rule 11.

7.2 In the event of a Participant's death, an Award may be released to or exercised by their personal representatives within twelve months of such event.

7.3 Where the Committee determines that an Award may be realised immediately under rule 7.1, the number of Shares in respect of which the Award Vests shall be determined by the Committee by reference to the extent to which the Performance Conditions are met on the Termination Date, subject to modification if the Committee considers that the Performance Conditions would be met to a greater or lesser extent at the end of the original Performance Period. The number of Shares in respect of which an Award may be realised under this rule 7.3 shall (unless proviso (b) to rule 7.1 applies) be the number of Shares in respect of which the Award has Vested (subject to any adjustment under rule 14) multiplied by the fraction ***A/B*** (where ***A*** is that part of the Vesting Period measured in complete months from the start of the Vesting Period until the Termination Date and ***B*** is 36.

7.4 For the purpose of rule 7, a female Participant shall not, to the extent required by applicable law, be treated as ceasing to be an Executive if absent from work wholly or partly because of pregnancy or confinement, until she ceases to be entitled to exercise any statutory or contractual entitlement to return to work.

8. ISSUE, TRANSFER OR LISTING OF SHARES

8.1 Subject to rule 8.2, the Committee shall issue or procure the transfer of Shares to be allotted or transferred pursuant to the realisation of a Conditional Award within 30 days following the Vesting Date of the Award and pursuant to the exercise of an Option, within 30 days of receipt of the notice of exercise by the Company.

8.2 Where for any reason the Committee considers that it is impractical to deliver Shares following Vesting of an Award, it may instead pay or procure the payout of the equivalent Cash Amount, subject to deductions for any tax, national insurance, social security or other levy which the Committee reasonably determines should be deducted from the Cash Amount.

8.3 Shares to be transferred pursuant to the Plan will be transferred free of all liens, charges and encumbrances and together with all rights attaching thereto, and will rank pari passu in all respects with the Shares then in issue, except that they will not rank for any rights attaching to Shares by reference to a record date preceding the Vesting Date.

8.4 Subject to rule 16.1 below, the Company and its Subsidiaries may provide funds to the Trustees to enable the Trustees to purchase existing Shares or subscribe for new Shares in the Company for the purpose of the Plan, provided that no funds may be provided to enable the Trustees to acquire Shares in the Company if such an acquisition would result in the Trustees holding more than 5 per cent of the ordinary share capital of the Company in issue at that time.

8.5 If the Shares are admitted to listing on the London Stock Exchange, application will be made for any newly issued ordinary shares to be admitted to such listing and admitted to trading on the London Stock Exchange.

9. Lapse of Awards

9.1 Awards shall lapse upon the occurrence of the earliest of the following events:

(a) to the extent that it is determined that the Performance Conditions applicable to an Award have not been met following the expiry of the relevant Performance Period, the expiry of that Performance Period;

(b) the Participant ceasing to be an Executive other than in the circumstances specified in rules 7.1 and 7.2;

(c) in relation to an Award which is granted in the form of an Option, 10 years following the Date of Grant;

(d) the expiry of any relevant period specified in rule 11;

(e) unless the Committee determines otherwise, the Participant being deprived of the legal or beneficial ownership of the Award by operation of law, or doing or omitting to do anything which causes him to be so deprived including becoming or being declared bankrupt; or

(f) failure to realise the Award under rule 7.1 or 7.3.

10. Admission to trading on the London Stock Exchange

10.1 If the Company's ordinary shares are admitted to trading on the London Stock Exchange, Awards granted under the Plan prior to that admission shall automatically be exchanged in accordance with this rule 10.

10.2 Where Awards are to be exchanged under this rule 10, an Award over B shares in the Company (or shares representing those shares following any Capital Reorganisation) (the ***Old Right***) will be surrendered in consideration of the grant to the Participant of a new award (the ***New Right***) which, in the opinion of the Committee, is equivalent in value to the Old Right but relates to shares in the Company. The provisions of the Plan shall be construed in relation to the New Right as if:

(a) the New Right were an Award granted under the Plan at the same time as the Old Right; and

(b) references to Shares were references to ordinary shares in the Company.

11. Corporate Events for the Company etc.

General Offer

11.1 Subject to rule 11.5 and rule 12 below, if any person (either alone or together with any person acting in concert with him) makes a general offer to acquire the whole of the share capital of the Company (other than those shares which are already owned by him and/or any person acting in concert with him), the

Company shall, as soon as reasonably practicable thereafter, give notice to each Participant of such general or other offer. Each Participant may realise his Awards in accordance with rule 11.8 within the period of 30 days following the date on which the offer becomes or is declared unconditional in all respects. Failing any permitted realisation, the Awards shall lapse automatically upon the expiry of the 30 day period.

Scheme of Arrangement

11.2 Subject to rule 11.5 and rule 12 below, if a court shall direct that a meeting of the holders of Shares be convened pursuant to sections 86 and 87 of the Companies Law (2007 Revision) of the Cayman Islands for the purposes of considering a scheme of arrangement each Participant may realise his Awards conditionally in accordance with rule 11.8 on the scheme of arrangement being either approved by the shareholders' meeting or sanctioned by the court (as determined by the Committee in its absolute discretion) (the ***Relevant Condition***), between the date of the court's direction and twelve noon on the day immediately preceding the date for which the shareholders' meeting is convened.

11.3 Failing any permitted realisation, the Awards (or such part thereof as the Committee may specify) shall be incapable of realisation between the last time upon which permitted realisation may occur and the first date on which it can be determined whether or not the Relevant Condition is satisfied. If the Relevant Condition is not satisfied, the Awards shall continue. If the Relevant Condition is satisfied, the Awards (or such part thereof as the Committee may specify) shall lapse automatically on the day immediately after the date on which the scheme of arrangement is sanctioned by the court.

11.4 The Committee shall endeavour to procure that, where a Participant has conditionally realised his Awards in accordance with rule 11.2 above prior to twelve noon on the day immediately preceding the date for which the shareholders' meeting is initially convened, the scheme of arrangement shall, so far as it relates to Shares, be extended to such Participant as if each Share in respect of which the Award was conditionally realised had been allotted and issued, or transferred, to him by that time.

Internal Reorganisation

11.5 Awards shall not be realisable if the purpose and effect of the scheme of arrangement is to create a new holding company for the Company, such company having substantially the same shareholders and proportionate shareholdings as those of the Company immediately prior to the scheme of arrangement. Awards will in such circumstances not vest and will be replaced by equivalent share awards or options in the new holding company in accordance with rule 12.

Demerger

11.6 If the Committee becomes aware that the Company is or is expected to be affected by any demerger, dividend in specie, super-dividend or other transaction which, in the opinion of the Committee, would affect the current or future value of any Awards, the Committee, acting fairly, reasonably and objectively, may in its absolute discretion allow some or all Awards to be realised in accordance with rule 11.8.

Voluntary Winding-up

11.7 If, under section 116 of the Companies (Amendment) Law 2007 of the Cayman Islands, notice is duly given of a resolution for a voluntary winding-up of the Company vested but unexercised Awards will be released or become exercisable following such an event. Unvested Awards will vest at the time of the relevant event and in accordance with rule 11.8.

Application of Performance Conditions and Pro Rating

11.8 Where an Award becomes realisable before the expiry of the relevant Vesting Period under rule 11.1 to 11.7, the number of Shares in respect of which the Award shall Vest shall be determined by the Committee by reference to the extent to which Performance Conditions are met as at the date of the relevant event, subject to modification if the Committee considers that the Performance Condition would have been met to a

greater or lesser extent at the end of the original Vesting Period. The number of Shares in respect of which an Award may be realised shall be the number of Shares in respect of which the Award has Vested (subject to any adjustments under rule 14) multiplied by the fraction ***A/B*** (where ***A*** is that part of the Vesting Period measured in complete months from the start of the Vesting Period to the date on which the relevant event occurs and ***B*** is 36), SAVE THAT the Committee may at its discretion, in appropriate circumstances (but not so as to result in an unjustifiably large Vesting level), disapply or alter the fraction stated above to release a greater number of Shares.

12. EXCHANGE OF AWARDS

12.1 The Committee may, acting fairly and reasonably, determine at any time before Awards Vest pursuant to rules 11.1 to 11.7, that (i) the Participant may agree that this Award will not Vest and to exchange his Award or (ii) the Award will not Vest and the Award will be exchanged, in either case in accordance with this rule 12.

12.2 Where Awards are to be exchanged under this rule 12, any Award (the ***Old Right***) will be surrendered in consideration of the grant to the Participant of a new award (the ***New Right***) which, in the opinion of the Committee, is equivalent to the Old Right but relates to shares in a different company. The provisions of the Plan shall be construed in relation to the New Right as if:

(a) the New Right were an Award granted under the Plan at the same time as the Old Right;

(b) references to the Performance Conditions were references to such new performance conditions relating to the business or shares of the company whose shares are subject to the New Right (or any member of its group) as the Committee may consider appropriate in the circumstances;

(c) references to the Company and the Group were references to the company whose shares are subject to the New Right and its group; and

(d) references to Shares were references to shares in the new grantor.

13. TAXATION

Any liability of a Participant to taxation or social security contributions in respect of an Award shall be for the account of the relevant Participant, and the release of any Shares the subject of a Forfeitable Award, the release of any Shares the subject of a Conditional Award or the exercise of any Option shall be conditional on the Participant complying with any arrangements specified by the Company or the Trustees for the payment of taxation and any social security contributions (including, without limitation, the sale of sufficient Shares to enable the Company or the Trustees or any employing company in the Group to satisfy its obligations in respect of deduction of taxation and employee's social security contributions at source).

14. ADJUSTMENTS OF AWARDS

14.1 In the event of any Capital Reorganisation (or the implementation by the Company of a demerger or payment of a super dividend which would otherwise materially affect the value of an Award) the Committee may adjust the number of Shares subject to Awards (including, for the avoidance of doubt, Vested Shares in respect of which any Award has been realised but Shares have not yet been transferred to the Participant) to such extent and in such manner as it thinks fit.

14.2 Any adjustments to Awards made pursuant to this rule 14 shall be notified to the relevant Participants.

15. AMENDMENT AND ADMINISTRATION

15.1 The decision of the Committee shall be final and binding in all matters relating to the Plan and it may at any time discontinue the grant of further Awards.

15.2 The Committee may amend any of the provisions of the Plan in any way it thinks fit, PROVIDED THAT:

(a) prior approval of shareholders is obtained for any amendment to the advantage of Participants to the following provisions:

(i) the individuals who may participate in the plan;

(ii) the limits on the number of Shares available under the plan;

(iii) the maximum entitlement of Participants;

(iv) the basis for determining a Participant's entitlement; and

(v) the adjustment of Awards on a variation of the share capital of the Company; and

(b) the Committee shall not make any amendment that would materially prejudice the interests of an existing Participant except with the prior written consent of the Participant.

15.3 The requirement to obtain the prior approval of shareholders will not, however, apply to any minor amendment made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for eligible employees, participants or for any company in the Group. Shareholder approval will also not be required for any amendment to any Performance Conditions.

15.4 Notwithstanding any other provision of the Plan, the Committee may establish appendices to the Plan for the purpose of granting Awards to Executives who are or may become primarily liable to tax outside the United Kingdom on their remuneration, subject to such modifications as may be necessary or desirable to take account of overseas tax, exchange control, securities laws or other applicable laws provided that any Shares made available under such appendices shall count towards the limit set out in rule 4.6.

16. General

16.1 Any member of the Group may provide money to the Trustees or any other person to enable them or him to acquire Shares to be held for the purposes of the Plan, or enter into any guarantee or indemnity for the purposes.

16.2 The Plan shall terminate on the tenth anniversary of the Adoption Date or at any earlier time by the passing of a resolution by the Committee or an ordinary resolution of the Company in general meeting. Termination of the Plan shall be without prejudice to the subsisting rights of Participants.

16.3 An Award will not constitute a contract of employment. The rights and obligations of any individual under the terms of his office or employment with the Group shall not be affected by his participation in the Plan or any right he may have to participate in the Plan. An individual who participates in the Plan waives all and any rights to compensation or damages in consequence of the termination of his office or employment with any company for any reason whatsoever (whether lawfully or unlawfully), insofar as those rights arise or may arise from his ceasing to have rights under the Plan as a result of such termination, or from the loss or diminution in value of such rights or entitlements. In the event of any conflict between the terms of this rule 16.3 and the Participant's terms of employment, this rule will take precedence.

16.4 The existence of any Award shall not affect in any way the right or power of the Company or its shareholders to make or authorise any or all adjustments, recapitalisations, reorganisations or other changes in the Company's capital structure, or any merger or consolidation of the Company, or any issue of Company shares, bonds, debentures, preferred or prior preference stocks ahead of, or convertible into, or otherwise affecting the Shares or the rights thereof, or the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

16.5 Any notice or other document required to be given under or in connection with the Plan may be delivered to a Participant or sent by post to him at his home address according to the records of his employing company or such other address as may appear to the Company to be appropriate including any electronic address. Notices sent by post shall be deemed to have been given on the day following the date of posting and notices sent by electronic means shall be deemed to have been given twelve hours after the time of despatch or at such earlier time as receipt is acknowledged. Any notice or other document required to be given to the Company under or in connection with the Plan may be delivered or sent by post to it at its registered office (or such other place or places as the Company may from time to time determine and notify to Participant).

16.6 Benefits under the Plan shall not be pensionable.

16.7 The Company, or where the Committee so directs any other group company shall pay the appropriate stamp duty on behalf of Participants in respect of any transfer of Shares on the realisation of Awards.

16.8 These Rules shall be governed by and construed in accordance with English law. All disputes arising out of or in connection with the rules shall be subject to the exclusive jurisdiction of the courts of England and Wales.

Annex E

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

Form of
The Restricted Share Plan

Approved by resolution of shareholders in the general meeting held on • 2009

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THE RESTRICTED SHARE PLAN

RULES

1. DEFINITIONS

1.1 In this Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings, namely:

Adoption Date means the date of adoption of the Plan by the Company in general meeting;

Award means an award granted under rule 2 in the form of an Option, Forfeitable Shares, a Conditional Award or a Phantom Award;

Award Certificate means the notification to a Participant setting out the specific conditions of an Award in such form as the Committee may determine from time to time;

Basic Salary means an Executive's annual gross basic salary in respect of his employment with the Group;

Capital Reorganisation means any variation in the share capital or reserves of the Company (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation or reduction);

Cash Amount means, in relation to an Award which has Vested, an amount which, in the opinion of the Committee, is equal to the Market Value on the Vesting Date of the Vested Shares less any amount which the Participant is required to pay under these rules in order to realise the Award;

Committee means the remuneration committee of the board of directors of the Company;

Company means Liberty Acquisition Holdings (International) Company (incorporated in the Cayman Islands under company number 20217);

Conditional Award means an Award which takes the form of a contingent right to acquire or receive Shares at no or nominal cost;

Control has the meaning given to it by section 995 of the Income Tax Act 2007;

Date of Grant means the date on which the Committee grants an Award;

Dealing Day means a date on which the Euronext or, if the Company's ordinary shares are admitted to trading on the Official List of the London Stock Exchange, the London Stock Exchange, is open for the transaction of business;

Employees' Share Scheme has the meaning given by section 743 of the Companies Act 1985 or, from 1 October 2009, section 1166 of the Companies Act 2006;

Euronext means Euronext Amsterdam N.V.;

Executive means any employee (excluding an executive director of the Company other than on his recruitment to the board of the Company) of any member of the Group;

Financial Year means an accounting reference period of the Company as determined in accordance with section 391 of the Companies Act 2006;

Forfeitable Shares means Shares which are the subject of an Award of which the Participant has beneficial ownership from the Date of Grant subject to forfeiture or lapse as set out in the agreement referred to in rule 3.1;

Grant Period means:

(a) for so long as the Company is listed on Euronext, any day after the Adoption Date (subject to any applicable dealing restrictions of the Company from time to time); or

(b) at any time after the Company's ordinary shares are admitted to trading on the Official List of the London Stock Exchange, any day within the period of 42 days commencing on:

(i) the date of that admission;

(ii) the day on which the Company makes an announcement of its results for any period; or

(iii) any day on which the Committee resolves that exceptional circumstances exist that justify the grant of Awards;

Group means the Company and its Subsidiaries and ***member of the Group*** shall be construed accordingly;

HMRC means Her Majesty's Revenue & Customs;

the London Stock Exchange means London Stock Exchange plc or any successor body thereto;

Market Value means, in relation to Shares on any day, for so long as such Shares are listed on a recognised stock exchange, its middle-market quotation as derived from the relevant stock exchange on which the Shares are listed or otherwise as determined by the Committee;

Official List means the Official List of the UK Listing Authority;

Option means an Award which takes the form of an option to acquire Shares at no or nominal cost following Vesting;

Participant means an Executive who holds a subsisting Award or, where appropriate, his legal personal representatives;

Phantom Award means an Award which takes the form of a right to call for a cash payment calculated by reference to the Market Value of a notional Share;

the Plan means this Restricted Share Plan as amended from time to time;

Redundancy means redundancy as defined within the meaning of section 139 of the Employment Rights Act 1996;

Shares means for Awards granted while the Company is listed on Euronext, fully paid B shares in the capital of the Company and for Awards granted after the date the Company's ordinary shares are admitted to trading on the London Stock Exchange, fully paid ordinary shares in the capital of the company, and in either case shares representing those shares following any Capital Reorganisation;

Subsidiary means any company which is a subsidiary of the Company within the meaning of section 3 of the Securities Investment Business Law (2004 Revision) of the Cayman Islands over which the Company has Control;

Termination Date means the date on which a Participant ceases to be employed by the Group;

Trustees means the trustees or trustee for the time being of any employee benefit trust established by the Company or any member of the Group from time to time for the benefit of employees of the Group;

UK Listing Authority means the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;

Vested Shares means Shares or notional Shares the subject of Awards in respect of which the Vesting Date has passed, and ***Vest*** and ***Vesting*** shall be construed accordingly;

Vesting Date means in respect of an Award the later of (i) the date on which any objective conditions set by the Committee at the Date of Grant have been satisfied, and (ii) subject to rules 6.1, 6.3 and 10.8, the third anniversary of the Date of Grant, provided that, if the Vesting Date would otherwise fall on a date when the Company and/or the Participant would be subject to dealing restrictions, it shall be such later date as those dealing restrictions lift; and

Vesting Period means the period beginning on the Date of Grant and ending on the third anniversary of the Date of Grant.

1.2 References to any statute or statutory instrument or to any part or parts thereof include any modification, amendment or re-enactment thereof for the time being in force.

1.3 Words of the masculine gender shall include the feminine and vice versa and words in the singular shall include the plural and vice versa unless in either case the context otherwise requires or is otherwise stated.

2. GRANT OF AWARDS

2.1 Subject to the provisions contained in these rules, the Committee may, during a Grant Period, in its discretion, grant Awards to any Executives selected for participation by the Committee. When the Committee grants an Award, it shall decide whether the Award will take the form of an Option, Forfeitable Shares, a Conditional Award or a Phantom Award. An Executive may be granted any form of Award or any combination of Awards save that an Executive may only be granted a Phantom Award in circumstances where the grant of an award or option involving real shares or an allocation of forfeitable shares is not appropriate or feasible for legal, regulatory or tax reasons. References to "realise", "realised" or "realisable" shall, in the case of an Award which is granted in the form of an Option, be construed as "call for", "called for" or "may be called for" respectively and in the case of an Award which is granted in the form of Forfeitable Shares, be construed as "cease to be subject to forfeiture", "ceased to be subject to forfeiture" respectively.

2.2 Each Award shall be evidenced by an Award Certificate issued by the Company and shall be subject to such terms and conditions consistent with the Plan as the Committee may determine in its sole discretion. The Award Certificate shall state:

(i) whether the Award will take the form of an Option, Forfeitable Shares, a Conditional Award or a Phantom Award;

(ii) the Date of Grant;

(iii) the number of Shares (or in the case of an Award granted in the form of a Phantom Award, notional Shares) comprised in an Award;

(iv) whether the Participant has an obligation to enter into an agreement or election pursuant to rule 2.6; and

(v) any objective conditions that must be satisfied in order for the Award to Vest.

The Award may be evidenced by a deed and, in relation to an Award which takes the form of Forfeitable Shares, will be evidenced by the agreement mentioned in rule 3.1.

2.3 No Award shall be granted under the Plan more than ten years after the Adoption Date.

2.4 For the avoidance of doubt, no payment by the Participant shall be required on the grant of an Award.

2.5 Every Award granted under this Plan shall be personal to the Participant to whom it is granted and, except to the extent necessary to enable a personal representative to realise the Award following the death of a Participant, neither the Award nor the benefit thereof may be transferred, assigned, charged or otherwise alienated. Any transfer of an Award otherwise than as permitted by this rule 2.5 shall cause an Award to lapse.

2.6 If the Committee so requires, the Participant will enter into an agreement or election pursuant to paragraphs 3A or 3B of Schedule 1 to the UK Social Security Contributions and Benefits Act 1992 and/or a joint election under Section 431 of the Income Tax (Earnings and Pensions) Act 2003 (as the Committee shall determine) with the relevant member of the Group by the fourteenth day following the transfer of Shares to the Participant pursuant to the Award, in which case the number of Shares subject to an Award may, at the discretion of the Committee, be increased (at the Date of Grant) to reflect that the Participant is bearing this liability provided that any such increase shall not breach the limits set out in rule 4.

2.7 In the case of an Award which is granted in the form of an Option or a Conditional Award, it shall be granted on terms that when it Vests, the number of Shares subject to the Award shall be increased by such

number of Shares as could have been acquired with the amount of each cash dividend for which the dividend record falls between the Date of Grant and the Vesting Date, in each case calculated using the Market Value on the day the Shares are first quoted ex-dividend in respect of that dividend. This rule 2.7 shall not apply in respect of *dividends in specie* or such other dividends for which an adjustment is made under rule 13.

2.8 The grant of any Award shall be subject to any applicable dealing restrictions or approvals including where the Date of Grant occurs after the Company's ordinary shares have been admitted to trading on the Official List of the London Stock Exchange, the provisions of the Model Code for Securities Transactions by Directors of Listed Companies (or the Company's dealing rules) and to obtaining any approval or consent required under the provisions of the Listing Rules published by the UK Listing Authority or the City Code on Takeovers and Mergers or of any regulation or enactment applicable to such grant.

3. AWARDS WHICH TAKE THE FORM OF FORFEITABLE SHARES

3.1 If an Award takes the form of Forfeitable Shares, the Executive must, before the Date of Grant, enter into an irrevocable agreement with the Company and, if different, the Executive's employing company, in such form as the Company may prescribe which shall include an agreement by the Executive:

(a) not to transfer, assign, sell, pledge, charge or otherwise dispose of any Shares subject to the Award except to the extent that the Award has Vested; and

(b) to transfer (or procure the transfer) to or to the order of the Company, for a total of one penny, all the Shares in respect of which the Award lapses.

3.2 If the Executive does not enter into the agreement before the Date of Grant, the Award will not be granted.

3.3 On or before the Date of Grant for an Award which takes the form of Forfeitable Shares, the Company shall (or the relevant employing company shall procure that the Company shall) issue or transfer to the Participant or to another person to be held as trustee or nominee for the Participant the number of Shares subject to the Award.

3.4 To the extent that an Award which takes the form of Forfeitable Shares Vests, the agreement referred to in rule 3.1 shall cease to have effect in relation to the Shares subject to it.

4. PLAN LIMITS

4.1 No Award shall be granted under the Plan to the extent that the result of that grant would be that the aggregate number of Shares that could be issued on the realisation of that Award and any other Award granted at the same time, when added to the number of Shares that:

(a) could be issued on the realisation of any subsisting awards or options granted during the preceding ten years under the Plan or any other Employees' Share Scheme established by the Company or any other company under the Company's control; and

(b) have been issued on the realisation of any awards or options granted during the preceding ten years under the Plan or any other Employees' Share Scheme established by the Company or any other company under the Company's control,

would exceed 10 per cent of the ordinary share capital of the Company for the time being in issue.

4.2 No Award shall be granted under the Plan to the extent that the result of that grant would be that the aggregate number of Shares that could be issued on the realisation of that Award and any other Award granted at the same time, when added to the number of Shares that:

(a) could be issued on the realisation of any subsisting awards or options granted during the preceding ten years under the Plan or any other discretionary share plans adopted by the Company or any other company under the Company's control; and

(b) have been issued on the realisation of any awards or options granted during the preceding ten years under the Plan or any other discretionary share plans adopted by the Company or any other company under the Company's control,

would exceed 5 per cent of the ordinary share capital of the Company for the time being in issue.

4.3 Reference in this rule 4 to the issue of Shares shall, for the avoidance of doubt, mean the issue and allotment (but not transfer) of Shares.

4.4 In determining the above limits no account shall be taken of:

(a) any Shares attributable to an Award which was released, lapsed, forfeited or otherwise became incapable of exercise; and

(b) any Shares which may be acquired pursuant to any Award as a result of the operation of rule 2.7.

4.5 Awards granted under the Plan or any other Employees' Share Scheme established by the Company before the date the Shares are admitted to trading on the Official List of the London Stock Exchange shall not be taken into account for the purpose of calculating the above limits.

5. Vesting of Awards

5.1 Save as otherwise permitted in these rules an Award may only be realised:

(a) if the Award has Vested; and

(b) by a Participant who has remained an Executive during the Vesting Period.

5.2 Vested Shares under Conditional Awards will be released to Participants automatically within 30 days of the Vesting Date. A participant need take no action to realise a Conditional Award.

5.3 Vested Options are exercisable up until the tenth anniversary of the Date of Grant after which they will lapse. Where an Award is granted in the form of an Option, a Participant may exercise a Vested Option by written notice to the Company in the form required by the Company at any time during the period of 10 years following the Date of Grant Save That where the Vested Shares may be called for as a result of a relevant event occurring under rule 10, the Participant shall be deemed to have called for such Vested Shares on the occurrence of the relevant event.

5.4 Vested Forfeitable Shares will cease to be subject to the risk of forfeiture on Vesting.

5.5 Vested Phantom Awards shall be satisfied in the next available payroll following the Vesting Date by a payment equal to the Market Value of the Vested notional Shares under the Phantom Award on the Vesting Date.

5.6 Save as otherwise provided in these rules, an Award shall lapse automatically and unvested Forfeitable Shares shall be forfeited on the Participant ceasing to be an Executive at any time before the Vesting Date applicable to the Award.

6. Leavers

6.1 Where a Participant ceases to be an Executive at any time before the Vesting Date applicable to an Award by reason of:

(a) death;

(b) injury, disability or ill-health;

(c) Redundancy; or

(d) any other reason where the Committee so determines in its absolute discretion,

his Award shall continue, and will Vest and be realisable at the end of the Vesting Period subject to the achievement of any objective conditions at that time PROVIDED THAT in all cases where the Termination Date occurs before the expiry of any relevant Vesting Period and Awards are realised pursuant to this rule 6.1, the number of Shares in respect of which an Award may be realised shall be the number in respect of which the Award has Vested (subject to any adjustments under rule 13) multiplied by the fraction ***A/B*** (where ***A*** is that part of the Vesting Period measured in complete months from the start of the Vesting Period to the Termination Date and ***B*** is 36) SAVE THAT:

(a) the Committee may at its discretion, in exceptional circumstances, determine that Awards may be realised immediately in accordance with rule 6.3; and

(b) if the Participant ceases to be an Executive his Award is preserved under rule 6.1, the Committee may, in its absolute discretion, disapply or alter the fraction stated above to release a greater number of Shares.

Failing any such realisation the Awards shall lapse automatically. For the avoidance of doubt, an Award realisable under this rule 6.1 and rule 6.2 below may lapse at an earlier date by virtue of rule 10.

6.2 In the event of a Participant's death, an Award may be released to or exercised by their personal representatives within twelve months of such event.

6.3 Where the Committee determines that an Award may be realised immediately under rule 6.1, the number of Shares in respect of which an Award may be realised under this rule 6.3 shall (unless proviso (b) to rule 6.1 applies) be the number of Shares in respect of which the Award has Vested (subject to any adjustment under rule 13) multiplied by the fraction ***A/B*** (where ***A*** is that part of the Vesting Period measured in complete months from the start of the Vesting Period until the Termination Date and ***B*** is 36.

6.4 For the purpose of rule 6, a female Participant shall not, to the extent required by applicable law, be treated as ceasing to be an Executive if absent from work wholly or partly because of pregnancy or confinement, until she ceases to be entitled to exercise any statutory or contractual entitlement to return to work.

7. ISSUE, TRANSFER OR LISTING OF SHARES

7.1 Subject to rule 7.2, the Committee shall issue or procure the transfer of Shares to be allotted or transferred pursuant to the realisation of a Conditional Award within 30 days following the Vesting Date of the Award and pursuant to the exercise of an Option, within 30 days of receipt of the notice of exercise by the Company.

7.2 Where for any reason the Committee considers that it is impractical to deliver Shares following Vesting of an Award, it may instead pay or procure the payout of the equivalent Cash Amount, subject to deductions for any tax, national insurance, social security or other levy which the Committee reasonably determines should be deducted from the Cash Amount.

7.3 Shares to be transferred pursuant to the Plan will be transferred free of all liens, charges and encumbrances and together with all rights attaching thereto, and will rank pari passu in all respects with the Shares then in issue, except that they will not rank for any rights attaching to Shares by reference to a record date preceding the Vesting Date.

7.4 Subject to rule 15.1 below, the Company and its Subsidiaries may provide funds to the Trustees to enable the Trustees to purchase existing Shares or subscribe for new Shares in the Company for the purpose of the Plan, provided that no funds may be provided to enable the Trustees to acquire Shares in the Company if such an acquisition would result in the Trustees holding more than 5 per cent of the ordinary share capital of the Company in issue at that time.

7.5 If the Shares are admitted to listing on the London Stock Exchange, application will be made for any newly issued ordinary shares to be admitted to such listing and admitted to trading on the London Stock Exchange.

8. Lapse of Awards

8.1 Awards shall lapse upon the occurrence of the earliest of the following events:

(a) to the extent that it is determined that any objective conditions applicable to an Award have not been met;

(b) the Participant ceasing to be an Executive other than in the circumstances specified in rules 7.1 and 7.2;

(c) in relation to an Award which is granted in the form of an Option, 10 years following the Date of Grant;

(d) the expiry of any relevant period specified in rule 10;

(e) unless the Committee determines otherwise, the Participant being deprived of the legal or beneficial ownership of the Award by operation of law, or doing or omitting to do anything which causes him to be so deprived including becoming or being declared bankrupt; or

(f) failure to realise the Award under rule 6.1 or 6.3.

9. Admission to trading on the London Stock Exchange

9.1 If the Company's ordinary shares are admitted to trading on the London Stock Exchange, Awards granted under the Plan prior to that admission shall automatically be exchanged in accordance with this rule 9.

9.2 Where Awards are to be exchanged under this rule 9, an Award over B shares in the Company (or shares representing those shares following any Capital Reorganisation) (the ***Old Right***) will be surrendered in consideration of the grant to the Participant of a new award (the ***New Right***) which, in the opinion of the Committee, is equivalent in value to the Old Right but relates to shares in the Company. The provisions of the Plan shall be construed in relation to the New Right as if:

(a) the New Right were an Award granted under the Plan at the same time as the Old Right; and

(b) references to Shares were references to ordinary shares in the Company.

10. Corporate Events for the Company etc

General Offer

10.1 Subject to rule 10.5 and rule 11 below, if any person (either alone or together with any person acting in concert with him) makes a general offer to acquire the whole of the share capital of the Company (other than those shares which are already owned by him and/or any person acting in concert with him), the Company shall, as soon as reasonably practicable thereafter, give notice to each Participant of such general or other offer. Each Participant may realise his Awards in accordance with rule 10.8 within the period of 30 days following the date on which the offer becomes or is declared unconditional in all respects. Failing any permitted realisation, the Awards shall lapse automatically upon the expiry of the 30 day period.

Scheme of Arrangement

10.2 Subject to rule 10.5 and rule 11 below, if a court shall direct that a meeting of the holders of Shares be convened pursuant to sections 86 and 87 of the Companies Law (2007 Revision) of the Cayman Islands for the purposes of considering a scheme of arrangement each Participant may realise his Awards conditionally in accordance with rule 10.8 on the scheme of arrangement being either approved by the shareholders' meeting or sanctioned by the court (as determined by the Committee in its absolute discretion) (the ***Relevant Condition***), between the date of the court's direction and twelve noon on the day immediately preceding the date for which the shareholders' meeting is convened.

10.3 Failing any permitted realisation, the Awards (or such part thereof as the Committee may specify) shall be incapable of realisation between the last time upon which permitted realisation may occur and the first date on which it can be determined whether or not the Relevant Condition is satisfied. If the Relevant Condition is not satisfied, the Awards shall continue. If the Relevant Condition is satisfied, the Awards (or such part thereof as the Committee may specify) shall lapse automatically on the day immediately after the date on which the scheme of arrangement is sanctioned by the court.

10.4 The Committee shall endeavour to procure that, where a Participant has conditionally realised his Awards in accordance with rule 10.2 above prior to twelve noon on the day immediately preceding the date for which the shareholders' meeting is initially convened, the scheme of arrangement shall, so far as it relates to Shares, be extended to such Participant as if each Share in respect of which the Award was conditionally realised had been allotted and issued, or transferred, to him by that time.

Internal Reorganisation

10.5 Awards shall not be realisable if the purpose and effect of the scheme of arrangement is to create a new holding company for the Company, such company having substantially the same shareholders and proportionate shareholdings as those of the Company immediately prior to the scheme of arrangement. Awards will in such circumstances not vest and will be replaced by equivalent share awards or options in the new holding company in accordance with rule 11.

Demerger

10.6 If the Committee becomes aware that the Company is or is expected to be affected by any demerger, dividend in specie, super-dividend or other transaction which, in the opinion of the Committee, would affect the current or future value of any Awards, the Committee, acting fairly, reasonably and objectively, may in its absolute discretion allow some or all Awards to be realised in accordance with rule 10.8.

Voluntary Winding-up

10.7 If, under section 116 of the Companies (Amendment) Law 2007 of the Cayman Islands, notice is duly given of a resolution for a voluntary winding-up of the Company vested but unexercised Awards will be released or become exercisable following such an event. Unvested Awards will vest at the time of the relevant event and in accordance with rule 10.8.

Application of Pro Rating

10.8 Where an Award becomes realisable before the expiry of the relevant Vesting Period under rule 10.1 to 10.7, the number of Shares in respect of which an Award may be realised shall be the number of Shares in respect of which the Award has Vested (subject to any adjustments under rule 13) multiplied by the fraction ***A/B*** (where ***A*** is that part of the Vesting Period measured in complete months from the start of the Vesting Period to the date on which the relevant event occurs and ***B*** is 36), SAVE THAT the Committee may at its discretion, in appropriate circumstances (but not so as to result in an unjustifiably large Vesting level), disapply or alter the fraction stated above to release a greater number of Shares.

11. EXCHANGE OF AWARDS

11.1 The Committee may, acting fairly and reasonably, determine at any time before Awards Vest pursuant to rules 10.1 to 10.7, that (i) the Participant may agree that this Award will not Vest and to exchange his Award or (ii) the Award will not Vest and the Award will be exchanged, in either case in accordance with this rule 11.

11.2 Where Awards are to be exchanged under this rule 11, any Award (the ***Old Right***) will be surrendered in consideration of the grant to the Participant of a new award (the ***New Right***) which, in the opinion of the Committee, is equivalent to the Old Right but relates to shares in a different company. The provisions of the Plan shall be construed in relation to the New Right as if:

(a) the New Right were an Award granted under the Plan at the same time as the Old Right;

(b) references to the Company and the Group were references to the company whose shares are subject to the New Right and its group; and

(c) references to Shares were references to shares in the new grantor.

12. Taxation

Any liability of a Participant to taxation or social security contributions in respect of an Award shall be for the account of the relevant Participant, and the release of any Shares the subject of a Forfeitable Award, the release of any Shares the subject of a Conditional Award or the exercise of any Option shall be conditional on the Participant complying with any arrangements specified by the Company or the Trustees for the payment of taxation and any social security contributions (including, without limitation, the sale of sufficient Shares to enable the Company or the Trustees or any employing company in the Group to satisfy its obligations in respect of deduction of taxation and employee's social security contributions at source).

13. Adjustments of Awards

13.1 In the event of any Capital Reorganisation (or the implementation by the Company of a demerger or payment of a super dividend which would otherwise materially affect the value of an Award) the Committee may adjust the number of Shares subject to Awards (including, for the avoidance of doubt, Vested Shares in respect of which any Award has been realised but Shares have not yet been transferred to the Participant) to such extent and in such manner as it thinks fit.

13.2 Any adjustments to Awards made pursuant to this rule 13 shall be notified to the relevant Participants.

14. Amendment and Administration

14.1 The decision of the Committee shall be final and binding in all matters relating to the Plan and it may at any time discontinue the grant of further Awards.

14.2 The Committee may amend any of the provisions of the Plan in any way it thinks fit, PROVIDED THAT:

(a) prior approval of shareholders is obtained for any amendment to the advantage of Participants to the following provisions:

(i) the individuals who may participate in the plan;

(ii) the limits on the number of Shares available under the plan;

(iii) the maximum entitlement of Participants;

(iv) the basis for determining a Participant's entitlement; and

(v) the adjustment of Awards on a variation of the share capital of the Company; and

(b) the Committee shall not make any amendment that would materially prejudice the interests of an existing Participant except with the prior written consent of the Participant.

14.3 The requirement to obtain the prior approval of shareholders will not, however, apply to any minor amendment made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for eligible employees, participants or for any company in the Group.

14.4 Notwithstanding any other provision of the Plan, the Committee may establish appendices to the Plan for the purpose of granting Awards to Executives who are or may become primarily liable to tax outside the United Kingdom on their remuneration, subject to such modifications as may be necessary or desirable to take account of overseas tax, exchange control, securities laws or other applicable laws provided that any Shares made available under such appendices shall count towards the limit set out in rule 4.

15. General

15.1 Any member of the Group may provide money to the Trustees or any other person to enable them or him to acquire Shares to be held for the purposes of the Plan, or enter into any guarantee or indemnity for the purposes.

15.2 The Plan shall terminate on the tenth anniversary of the Adoption Date or at any earlier time by the passing of a resolution by the Committee or an ordinary resolution of the Company in general meeting. Termination of the Plan shall be without prejudice to the subsisting rights of Participants.

15.3 An Award will not constitute a contract of employment. The rights and obligations of any individual under the terms of his office or employment with the Group shall not be affected by his participation in the Plan or any right he may have to participate in the Plan. An individual who participates in the Plan waives all and any rights to compensation or damages in consequence of the termination of his office or employment with any company for any reason whatsoever (whether lawfully or unlawfully), insofar as those rights arise or may arise from his ceasing to have rights under the Plan as a result of such termination, or from the loss or diminution in value of such rights or entitlements. In the event of any conflict between the terms of this rule 15.3 and the Participant's terms of employment, this rule will take precedence.

15.4 The existence of any Award shall not affect in any way the right or power of the Company or its shareholders to make or authorise any or all adjustments, recapitalisations, reorganisations or other changes in the Company's capital structure, or any merger or consolidation of the Company, or any issue of Company shares, bonds, debentures, preferred or prior preference stocks ahead of, or convertible into, or otherwise affecting the Shares or the rights thereof, or the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

15.5 Any notice or other document required to be given under or in connection with the Plan may be delivered to a Participant or sent by post to him at his home address according to the records of his employing company or such other address as may appear to the Company to be appropriate including any electronic address. Notices sent by post shall be deemed to have been given on the day following the date of posting and notices sent by electronic means shall be deemed to have been given twelve hours after the time of despatch or at such earlier time as receipt is acknowledged. Any notice or other document required to be given to the Company under or in connection with the Plan may be delivered or sent by post to it at its registered office (or such other place or places as the Company may from time to time determine and notify to Participant).

15.6 Benefits under the Plan shall not be pensionable.

15.7 The Company, or where the Committee so directs any other group company shall pay the appropriate stamp duty on behalf of Participants in respect of any transfer of Shares on the realisation of Awards.

15.8 These Rules shall be governed by and construed in accordance with English law. All disputes arising out of or in connection with the rules shall be subject to the exclusive jurisdiction of the courts of England and Wales.

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

Form of
The Bonus Share Plan

Approved by resolution of shareholders in the general meeting held on ● 2009

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THE BONUS SHARE PLAN

RULES

1. Definitions

1.1 In this Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings, namely:

Adoption Date means the date of adoption of the Plan by the Company in general meeting;

Award means an award granted under rule 2 in the form of an Option, Forfeitable Shares or a Conditional Award;

Award Certificate means the notification to a Participant setting out the specific conditions of an Award in such form as the Committee may determine from time to time;

Capital Reorganisation means any variation in the share capital or reserves of the Company (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation or reduction);

Committee means the remuneration committee of the board of directors of the Company;

Company means Liberty Acquisition Holdings (International) Company (incorporated in the Cayman Islands under company number 20217);

Conditional Award means an Award which takes the form of a contingent right to acquire or receive Shares at no or nominal cost;

Control has the meaning given to it by section 995 of the Income Tax Act 2007;

Date of Grant means the date on which the Committee grants an Award;

Dealing Day means a date on which the Euronext or, if the Company's ordinary shares are admitted to trading on the Official List of the London Stock Exchange, the London Stock Exchange, is open for the transaction of business;

Employees' Share Scheme has the meaning given by section 743 of the Companies Act 1985 or, from 1 October 2009, section 1166 of the Companies Act 2006;

Euronext means Euronext Amsterdam N.V.;

Executive means any employee (including an executive director) of any member of the Group;

Financial Year means an accounting reference period of the Company as determined in accordance with section 391 of the Companies Act 2006;

Forfeitable Shares means Shares which are the subject of an Award of which the Participant has beneficial ownership from the Date of Grant subject to forfeiture or lapse as set out in the agreement referred to in rule 3.1;

Grant Period means:

(a) for so long as the Company is listed on Euronext, any day after the Adoption Date (subject to any applicable dealing restrictions of the Company from time to time); or

(b) at any time after the Company's ordinary shares are admitted to trading on the Official List of the London Stock Exchange, any day within the period of 42 days commencing on:

(i) the date of that admission;

(ii) the day on which the Company makes an announcement of its results for any period; or

(iii) any day on which the Committee resolves that exceptional circumstances exist that justify the grant of Awards;

Group means the Company and its Subsidiaries and ***member of the Group*** shall be construed accordingly;

HMRC means Her Majesty's Revenue & Customs;

the London Stock Exchange means London Stock Exchange plc or any successor body thereto;

Market Value means, in relation to Shares on any day, for so long as such Shares are listed on a recognised stock exchange, its middle-market quotation as derived from the relevant stock exchange on which the Shares are listed or otherwise as determined by the Committee;

Official List means the Official List of the UK Listing Authority;

Option means an Award which takes the form of an option to acquire Shares at no or nominal cost following Vesting;

Participant means an Executive who holds a subsisting Award or, where appropriate, his legal personal representatives;

the Plan means this Bonus Share Plan as amended from time to time;

Redundancy means redundancy as defined within the meaning of section 139 of the Employment Rights Act 1996;

Shares means for Awards granted while the Company is listed on Euronext, fully paid B shares in the capital of the Company and for Awards granted after the date the Company's ordinary shares are admitted to trading on the London Stock Exchange, fully paid ordinary shares in the capital of the company, and in either case shares representing those shares following any Capital Reorganisation;

Subsidiary means any company which is a subsidiary of the Company within the meaning of section 3 of the Securities Investment Business Law (2004 Revision) of the Cayman Islands over which the Company has Control;

Termination Date means the date on which a Participant ceases to be employed by the Group;

Trustees means the trustees or trustee for the time being of any employee benefit trust established by the Company or any member of the Group from time to time for the benefit of employees of the Group;

UK Listing Authority means the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;

Vested Shares means Shares the subject of Awards in respect of which the Vesting Date has passed, and ***Vest*** and ***Vesting*** shall be construed accordingly;

Vesting Date means in respect of an Award subject to rules 6.1, and 11, the second anniversary of the Date of Grant, provided that, if the Vesting Date would otherwise fall on a date when the Company and/or the Participant would be subject to dealing restrictions, it shall be such later date as those dealing restrictions lift; and

Vesting Period means the period beginning on the Date of Grant and ending on the second anniversary of the Date of Grant.

1.2 References to any statute or statutory instrument or to any part or parts thereof include any modification, amendment or re-enactment thereof for the time being in force.

1.3 Words of the masculine gender shall include the feminine and vice versa and words in the singular shall include the plural and vice versa unless in either case the context otherwise requires or is otherwise stated.

2. Grant of Awards

2.1 Subject to the provisions contained in these rules, the Committee may, during a Grant Period, in its discretion, grant Awards to any Executives selected for participation by the Committee. When the Committee grants an Award, it shall decide whether the Award will take the form of an Option, Forfeitable Shares or a Conditional Award. An Executive may be granted any form of Award or any combination of Awards. References to "realise", "realised" or "realisable" shall, in the case of an Award which is granted in the form of an Option, be construed as "call for", "called for" or "may be called for" respectively and in the case of an Award which is granted in the form of Forfeitable Shares, be construed as "cease to be subject to forfeiture", "ceased to be subject to forfeiture" respectively.

2.2 Each Award shall be evidenced by an Award Certificate issued by the Company and shall be subject to such terms and conditions consistent with the Plan as the Committee may determine in its sole discretion. The Award Certificate shall state:

(i) whether the Award will take the form of an Option, Forfeitable Shares, or a Conditional Award;

(ii) the Date of Grant;

(iii) the number of Shares comprised in an Award;

(iv) whether the Participant has an obligation to enter into an agreement or election pursuant to rule 2.6.

The Award may be evidenced by a deed and, in relation to an Award which takes the form of Forfeitable Shares, will be evidenced by the agreement mentioned in rule 3.1.

2.3 No Award shall be granted under the Plan more than ten years after the Adoption Date.

2.4 No payment by the Participant shall be required on the grant of an Award, provided that in the case of an Award which is granted in the form of Forfeitable Shares, the Committee may determine that the Executive shall pay the aggregate nominal value of the Shares comprised in the Award on the grant of the Award.

2.5 Every Award granted under this Plan shall be personal to the Participant to whom it is granted and, except to the extent necessary to enable a personal representative to realise the Award following the death of a Participant, neither the Award nor the benefit thereof may be transferred, assigned, charged or otherwise alienated. Any transfer of an Award otherwise than as permitted by this rule 2.5 shall cause an Award to lapse.

2.6 If the Committee so requires, the Participant will enter into an agreement or election pursuant to paragraphs 3A or 3B of Schedule 1 to the UK Social Security Contributions and Benefits Act 1992 and/or a joint election under Section 431 of the Income Tax (Earnings and Pensions) Act 2003 (as the Committee shall determine) with the relevant member of the Group by the fourteenth day following the transfer of Shares to the Participant pursuant to the Award.

2.7 The grant of any Award shall be subject to any applicable dealing restrictions or approvals including where the Date of Grant occurs after the Company's ordinary shares have been admitted to trading on the Official List of the London Stock Exchange, the provisions of the Model Code for Securities Transactions by Directors of Listed Companies (or the Company's dealing rules) and to obtaining any approval or consent required under the provisions of the Listing Rules published by the UK Listing Authority or the City Code on Takeovers and Mergers or of any regulation or enactment applicable to such grant.

3. Awards which take the form of Forfeitable Shares

3.1 If an Award takes the form of Forfeitable Shares, the Executive must, before the Date of Grant, enter into an irrevocable agreement with the Company and, if different, the Executive's employing company, in such form as the Company may prescribe which shall include an agreement by the Executive:

(a) not to transfer, assign, sell, pledge, charge or otherwise dispose of any Shares subject to the Award except to the extent that the Award has Vested;

(b) to transfer (or procure the transfer of) all the Shares in respect of which the Award lapses to or to the order of the Company in consideration of an amount equal to the payment made by the Participant on the grant of the Award or, if no such payment has been made, for a total of one penny; and

(c) if the Committee so requires on any occasion when an Award Vests by virtue of rules 6.1 or 6.2, to transfer (or procure the transfer of) the Shares in respect of which the Award Vests to or to the order of the Company in consideration of the Market Value of the Shares or such other amount as the Committee may determine as representing the market value for these purposes.

3.2 If the Executive does not enter into the agreement before the Date of Grant, the Award will not be granted.

3.3 On or before the Date of Grant for an Award which takes the form of Forfeitable Shares, the Company shall (or the relevant employing company shall procure that the Company shall) issue or transfer to the Participant or to another person to be held as trustee or nominee for the Participant the number of Shares subject to the Award.

3.4 To the extent that an Award which takes the form of Forfeitable Shares Vests, the agreement referred to in rule 3.1 shall cease to have effect in relation to the Shares subject to it, save as required to enforce any term referred to in rule 3.1(c).

4. PLAN LIMITS

4.1 Subject to rule 4.3 no Award shall be granted under the Plan to the extent that the result of that grant would be that the aggregate number of Shares that could be issued on the realisation of that Award and any other Award granted at the same time, when added to the number of Shares that:

(a) could be issued on the realisation of any subsisting awards or options granted during the preceding ten years under the Plan or any other Employees' Share Scheme established by the Company or any other company under the Company's control; and

(b) have been issued on the realisation of any awards or options granted during the preceding ten years under the Plan or any other Employees' Share Scheme established by the Company or any other company under the Company's control,

would exceed 10 per cent of the ordinary share capital of the Company for the time being in issue.

4.2 Subject to rule 4.3 no Award shall be granted under the Plan to the extent that the result of that grant would be that the aggregate number of Shares that could be issued on the realisation of that Award and any other Award granted at the same time, when added to the number of Shares that:

(a) could be issued on the realisation of any subsisting awards or options granted during the preceding ten years under the Plan or any other discretionary share plans adopted by the Company or any other company under the Company's control; and

(b) have been issued on the realisation of any awards or options granted during the preceding ten years under the Plan or any other discretionary share plans adopted by the Company or any other company under the Company's control,

would exceed 5 per cent of the ordinary share capital of the Company for the time being in issue.

4.3 No Award shall be granted under the Plan to the extent that the result of that grant would be that the aggregate number of Shares subject to the Award and any other Award granted at the same time, when added to the number of Shares that (a) are subject to any subsisting Awards and (b) have been issued on the realisation of any Awards would exceed 500,000 subject to any adjustments made pursuant to rule 13.

4.4 Reference in this rule 4 to the issue of Shares shall, for the avoidance of doubt, mean the issue and allotment (but not transfer) of Shares.

4.5 In determining the above limits no account shall be taken of any Shares attributable to an Award which was released, lapsed, forfeited or otherwise became incapable of exercise.

4.6 Awards granted under the Plan or any other Employees' Share Scheme established by the Company before the date the Shares are admitted to trading on the Official List of the London Stock Exchange shall not be taken into account for the purpose of calculating the above limits set out in rules 4.1 and 4.2.

5. VESTING OF AWARDS

5.1 Save as otherwise permitted in these rules an Award may only be realised:

(a) if the Award has Vested; and

(b) by a Participant who has remained an Executive during the Vesting Period.

5.2 Vested Shares under Conditional Awards will be released to Participants automatically within 30 days of the Vesting Date. A participant need take no action to realise a Conditional Award.

5.3 Vested Options are exercisable up until the tenth anniversary of the Date of Grant after which they will lapse. Where an Award is granted in the form of an Option, a Participant may exercise a Vested Option by written notice to the Company in the form required by the Company at any time during the period of 10 years following the Date of Grant SAVE THAT where the Vested Shares may be called for as a result of a relevant event occurring under rule 10, the Participant shall be deemed to have called for such Vested Shares on the occurrence of the relevant event.

5.4 Vested Forfeitable Shares will cease to be subject to the risk of forfeiture on Vesting.

5.5 Save as otherwise provided in these rules, an Award shall lapse automatically and unvested Forfeitable Shares shall be forfeited on the Participant ceasing to be an Executive at any time before the Vesting Date applicable to the Award.

6. LEAVERS

6.1 Where a Participant ceases to be an Executive at any time before the Vesting Date applicable to an Award by reason of:

(a) death;

(b) injury, disability or ill-health;

(c) Redundancy; or

(d) any other reason where the Committee so determines in its absolute discretion,

his Award shall Vest and be realisable in full on the Termination Date. Where an Award takes the form of Forfeitable Shares, a Participant's Shares may at the Committee's discretion be required to be transferred under the terms of the agreement referred to in rule 3.1.

Failing any such realisation the Awards shall lapse automatically. For the avoidance of doubt, an Award realisable under this rule 6.1 and rule 6.2 below may lapse at an earlier date by virtue of rule 10.

6.2 In the event of a Participant's death, an Award may be released to or exercised by their personal representatives within twelve months of such event.

6.3 For the purpose of rule 6, a female Participant shall not, to the extent required by applicable law, be treated as ceasing to be an Executive if absent from work wholly or partly because of pregnancy or confinement, until she ceases to be entitled to exercise any statutory or contractual entitlement to return to work.

7. Issue, Transfer or listing of Shares

7.1 The Committee shall issue or procure the transfer of Shares to be allotted or transferred pursuant to the realisation of a Conditional Award within 30 days following the Vesting Date of the Award and pursuant to the exercise of an Option, within 30 days of receipt of the notice of exercise by the Company.

7.2 Shares to be transferred pursuant to the Plan will be transferred free of all liens, charges and encumbrances and together with all rights attaching thereto, and will rank pari passu in all respects with the Shares then in issue, except that they will not rank for any rights attaching to Shares by reference to a record date preceding the Vesting Date.

7.3 Subject to rule 15.1 below, the Company and its Subsidiaries may provide funds to the Trustees to enable the Trustees to purchase existing Shares or subscribe for new Shares in the Company for the purpose of the Plan, provided that no funds may be provided to enable the Trustees to acquire Shares in the Company if such an acquisition would result in the Trustees holding more than 5 per cent of the ordinary share capital of the Company in issue at that time.

7.4 If the Shares are admitted to listing on the London Stock Exchange, application will be made for any newly issued ordinary shares to be admitted to such listing and admitted to trading on the London Stock Exchange.

8. Lapse of Awards

8.1 Awards shall lapse upon the occurrence of the earliest of the following events:

(a) the Participant ceasing to be an Executive other than in the circumstances specified in rules 6.1 and 6.2;

(b) in relation to an Award which is granted in the form of an Option, 10 years following the Date of Grant;

(c) the expiry of any relevant period specified in rule 10;

(d) unless the Committee determines otherwise, the Participant being deprived of the legal or beneficial ownership of the Award by operation of law, or doing or omitting to do anything which causes him to be so deprived including becoming or being declared bankrupt; or

(e) failure to realise the Award under rule 6.1.

9. Admission to trading on the London Stock Exchange

9.1 If the Company's ordinary shares are admitted to trading on the London Stock Exchange, Awards granted under the Plan prior to that admission shall automatically be exchanged in accordance with this rule 9.

9.2 Where Awards are to be exchanged under this rule 9, an Award over B shares in the Company (or shares representing those shares following any Capital Reorganisation) (the ***Old Right***) will be surrendered in consideration of the grant to the Participant of a new award (the ***New Right***) which, in the opinion of the Committee, is equivalent in value to the Old Right but relates to shares in the Company. The provisions of the Plan shall be construed in relation to the New Right as if:

(a) the New Right were an Award granted under the Plan at the same time as the Old Right; and

(b) references to Shares were references to ordinary shares in the Company.

10. Corporate Events for the Company etc.

General Offer

10.1 Subject to rule 10.5 and rule 11 below, if any person (either alone or together with any person acting in concert with him) makes a general offer to acquire the whole of the share capital of the Company (other than those shares which are already owned by him and/or any person acting in concert with him), the

Company shall, as soon as reasonably practicable thereafter, give notice to each Participant of such general or other offer. Each Participant may realise his Awards in full within the period of 30 days following the date on which the offer becomes or is declared unconditional in all respects. Failing any permitted realisation, the Awards shall lapse automatically upon the expiry of the 30 day period.

Scheme of Arrangement

10.2 Subject to rule 10.5 and rule 11 below, if a court shall direct that a meeting of the holders of Shares be convened pursuant to sections 86 and 87 of the Companies Law (2007 Revision) of the Cayman Islands for the purposes of considering a scheme of arrangement each Participant may realise his Awards conditionally in full on the scheme of arrangement being either approved by the shareholders' meeting or sanctioned by the court (as determined by the Committee in its absolute discretion) (the ***Relevant Condition***), between the date of the court's direction and twelve noon on the day immediately preceding the date for which the shareholders' meeting is convened.

10.3 Failing any permitted realisation, the Awards (or such part thereof as the Committee may specify) shall be incapable of realisation between the last time upon which permitted realisation may occur and the first date on which it can be determined whether or not the Relevant Condition is satisfied. If the Relevant Condition is not satisfied, the Awards shall continue. If the Relevant Condition is satisfied, the Awards (or such part thereof as the Committee may specify) shall lapse automatically on the day immediately after the date on which the scheme of arrangement is sanctioned by the court.

10.4 The Committee shall endeavour to procure that, where a Participant has conditionally realised his Awards in accordance with rule 10.2 above prior to twelve noon on the day immediately preceding the date for which the shareholders' meeting is initially convened, the scheme of arrangement shall, so far as it relates to Shares, be extended to such Participant as if each Share in respect of which the Award was conditionally realised had been allotted and issued, or transferred, to him by that time.

Internal Reorganisation

10.5 Awards shall not be realisable if the purpose and effect of the scheme of arrangement is to create a new holding company for the Company, such company having substantially the same shareholders and proportionate shareholdings as those of the Company immediately prior to the scheme of arrangement. Awards will in such circumstances not Vest and will be replaced by equivalent share awards or options in the new holding company in accordance with rule 11.

Demerger

10.6 If the Committee becomes aware that the Company is or is expected to be affected by any demerger, dividend in specie, super-dividend or other transaction which, in the opinion of the Committee, would affect the current or future value of any Awards, the Committee, acting fairly, reasonably and objectively, may in its absolute discretion allow some or all Awards to be realised in full.

Voluntary Winding-up

10.7 If, under section 116 of the Companies (Amendment) Law 2007 of the Cayman Islands, notice is duly given of a resolution for a voluntary winding-up of the Company Vested but unexercised Awards will be released or become exercisable following such an event. Unvested Awards will Vest in full at the time of the relevant event.

11. EXCHANGE OF AWARDS

11.1 The Committee may, acting fairly and reasonably, determine at any time before Awards Vest pursuant to rules 10.1 to 10.7, that (i) the Participant may agree that his Award will not Vest and to exchange his Award or (ii) the Award will not Vest and the Award will be exchanged, in either case in accordance with this rule 11.

11.2 Where Awards are to be exchanged under this rule 11, any Award (the ***Old Right***) will be surrendered in consideration of the grant to the Participant of a new award (the ***New Right***) which, in the opinion of the Committee, is equivalent to the Old Right but relates to shares in a different company. The provisions of the Plan shall be construed in relation to the New Right as if:

(a) the New Right were an Award granted under the Plan at the same time as the Old Right;

(b) references to the Company and the Group were references to the company whose shares are subject to the New Right and its group; and

(c) references to Shares were references to shares in the new grantor.

12. Taxation

Any liability of a Participant to taxation or social security contributions in respect of an Award shall be for the account of the relevant Participant, and the release of any Shares the subject of a Forfeitable Award, the release of any Shares the subject of a Conditional Award or the exercise of any Option shall be conditional on the Participant complying with any arrangements specified by the Company or the Trustees for the payment of taxation and any social security contributions (including, without limitation, the sale of sufficient Shares to enable the Company or the Trustees or any employing company in the Group to satisfy its obligations in respect of deduction of taxation and employee's social security contributions at source).

13. Adjustments of Awards

13.1 In the event of any Capital Reorganisation (or the implementation by the Company of a demerger or payment of a super dividend which would otherwise materially affect the value of an Award) the Committee may adjust the number of Shares subject to Awards (including, for the avoidance of doubt, Vested Shares in respect of which any Award has been realised but Shares have not yet been transferred to the Participant) and the limit of 500,000 Shares referred to in rule 4.3 to such extent and in such manner as it thinks fit.

13.2 Any adjustments to Awards made pursuant to this rule 13 shall be notified to the relevant Participants.

14. Amendment and Administration

14.1 The decision of the Committee shall be final and binding in all matters relating to the Plan and it may at any time discontinue the grant of further Awards.

14.2 The Committee may amend any of the provisions of the Plan in any way it thinks fit, PROVIDED THAT:

(a) prior approval of shareholders is obtained for any amendment to the advantage of Participants to the following provisions:

(i) the individuals who may participate in the plan;

(ii) the limits on the number of Shares available under the plan;

(iii) the maximum entitlement of Participants;

(iv) the basis for determining a Participant's entitlement; and

(v) the adjustment of Awards on a variation of the share capital of the Company; and

(b) the Committee shall not make any amendment that would materially prejudice the interests of an existing Participant except with the prior written consent of the Participant.

14.3 The requirement to obtain the prior approval of shareholders will not, however, apply to any minor amendment made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for eligible employees, participants or for any company in the Group.

14.4 Notwithstanding any other provision of the Plan, the Committee may establish appendices to the Plan for the purpose of granting Awards to Executives who are or may become primarily liable to tax outside the United Kingdom on their remuneration, subject to such modifications as may be necessary or desirable to take account of overseas tax, exchange control, securities laws or other applicable laws provided that any Shares made available under such appendices shall count towards the limit set out in rule 4.

15. General

15.1 Any member of the Group may provide money to the Trustees or any other person to enable them or him to acquire Shares to be held for the purposes of the Plan, or enter into any guarantee or indemnity for the purposes.

15.2 The Plan shall terminate on the tenth anniversary of the Adoption Date or at any earlier time by the passing of a resolution by the Committee or an ordinary resolution of the Company in general meeting. Termination of the Plan shall be without prejudice to the subsisting rights of Participants.

15.3 An Award will not constitute a contract of employment. The rights and obligations of any individual under the terms of his office or employment with the Group shall not be affected by his participation in the Plan or any right he may have to participate in the Plan. An individual who participates in the Plan waives all and any rights to compensation or damages in consequence of the termination of his office or employment with any company for any reason whatsoever (whether lawfully or unlawfully), insofar as those rights arise or may arise from his ceasing to have rights under the Plan as a result of such termination, or from the loss or diminution in value of such rights or entitlements. In the event of any conflict between the terms of this rule 15.3 and the Participant's terms of employment, this rule will take precedence.

15.4 The existence of any Award shall not affect in any way the right or power of the Company or its shareholders to make or authorise any or all adjustments, recapitalisations, reorganisations or other changes in the Company's capital structure, or any merger or consolidation of the Company, or any issue of Company shares, bonds, debentures, preferred or prior preference stocks ahead of, or convertible into, or otherwise affecting the Shares or the rights thereof, or the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

15.5 Any notice or other document required to be given under or in connection with the Plan may be delivered to a Participant or sent by post to him at his home address according to the records of his employing company or such other address as may appear to the Company to be appropriate including any electronic address. Notices sent by post shall be deemed to have been given on the day following the date of posting and notices sent by electronic means shall be deemed to have been given twelve hours after the time of despatch or at such earlier time as receipt is acknowledged. Any notice or other document required to be given to the Company under or in connection with the Plan may be delivered or sent by post to it at its registered office (or such other place or places as the Company may from time to time determine and notify to Participant).

15.6 Benefits under the Plan shall not be pensionable.

15.7 The Company, or where the Committee so directs any other group company shall pay the appropriate stamp duty on behalf of Participants in respect of any transfer of Shares on the realisation of Awards.

15.8 These Rules shall be governed by and construed in accordance with English law. All disputes arising out of or in connection with the rules shall be subject to the exclusive jurisdiction of the courts of England and Wales.

FORM OF
THE LIBERTY SHARESAVE SCHEME

Approved by a resolution of the shareholders of Liberty Acquisition Holdings (International) Company on [DATE] 2009 and by HM Revenue Customs under the Income Tax (Earnings and Pensions) Act 2003 on [DATE] with reference [REF NO.].

THE LIBERTY SHARESAVE SCHEME

1. DEFINITIONS

1.1 In this Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings, namely:

the Act means the Income Tax (Earnings and Pensions) Act 2003;

Associated Company means an associated company of the Company within the meaning given to those words by paragraph 47(1) of Schedule 3;

the Board means the board of directors of the Company or a duly authorised committee thereof;

the Bonus Date means in relation to an Option:

(a) where the Option is linked to a three year Savings Contract, the earliest date on which the bonus is payable under that Savings Contract (that is, after making 36 monthly contributions); or

(b) where the Option is linked to a five year Savings Contract under which the Option Holder has elected to receive the five year bonus, the earliest date on which the five year bonus is payable under that Savings Contract (that is, after making 60 monthly contributions); or

(c) where the Option is linked to a five year Savings Contract under which the Option Holder has elected to receive the seven year bonus, the earliest date on which the seven year bonus is payable under that Savings Contract (that is, the second anniversary of the payment of the five year bonus, which is paid after making 60 monthly contributions);

Capital Reorganisation means any variation in the Share capital or reserves of the Company (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation or reduction);

the Company means Liberty Acquisition Holdings (International) Company (incorporated in the Cayman Islands under company number 20217);

Continuous Service has the same meaning as ***continuous employment*** in the Employment Rights Act 1996;

Control has the meaning given to that word by section 719 of the Act;

the Date of Grant means the date on which an Option is granted;

Dealing Day means any day on which the London Stock Exchange is open for the transaction of business;

Eligible Employee means:

(a) any individual who, at the Invitation Date:

(i) is an employee or director of one or more Participating Companies, who in the case of a director is required under the terms of his employment to devote at least 25 hours each week (excluding meal breaks) to his duties;

(ii) has earnings from the office or employment referred to in (i) above that meet (or would meet if there were any) the requirements set out in paragraphs 6(2)(c) and 6(2)(ca) of Schedule 3;

(iii) has been in Continuous Service with one or more Participating Companies for such period as the Board may determine (not exceeding five years) prior to the Grant Date; and

(b) any other individual who, at the Invitation Date, is an employee or director of one or more Participating Companies and who is nominated by the Board (or falls within a category of

individuals nominated by the Board) as eligible to participate in the Scheme in respect of any one or more grants of Options;

Exercise Price means the price per Share payable on the exercise of an Option as determined by the Board (subject to adjustment under rule 12) but which shall not be less than:

(a) 80 per cent. of the middle market quotation for a Share as derived from the Daily Official List of the London Stock Exchange averaged over three Dealing Days immediately before the Invitation Date; and

(b) in the case of any Option under which Shares may be issued, the nominal value of a Share;

Grant Period means the period of 42 days commencing on any of the following:

(a) the date of HMRC approval of the Scheme;

(b) the day immediately following the day on which the Company makes an announcement of its results for the last preceding financial year, half year or other period;

(c) any day on which the Board resolves that exceptional circumstances exist which justify the grant of Options (including, without limitation, the first admission of Shares to the Official List of the London Stock Exchange); or

(d) any day on which any change to the legislation affecting savings-related share option schemes approved by HMRC under the Act is proposed or made;

the Group means the Company and the Subsidiaries and ***member of the Group*** shall be construed accordingly;

HMRC means HM Revenue & Customs;

the Invitation Date means the date on which an invitation to apply for an Option is issued;

Key Feature shall have the meaning given to it by paragraph 42 of Schedule 3;

the London Stock Exchange means the London Stock Exchange plc or any successor body thereto;

Minimum Amount means the amount of the monthly contribution to be paid under the Savings Contract being not less than £5 or such other minimum amount as may be permitted under paragraph 25 of Schedule 3 from time to time;

Option means a right granted under the Scheme to subscribe for or purchase Shares;

Option Holder means any individual who holds a subsisting Option (including, where the context permits, the legal personal representatives of a deceased Option Holder);

Participating Company means the Company and each Subsidiary which has been nominated by the Board as a Participating Company for the purposes of the Scheme;

Savings Contract means a contract under a certified contractual savings scheme, within the meaning of paragraph 24 of Schedule 3, approved by HMRC for the purpose of Schedule 3;

Schedule 3 means Schedule 3 to the Act;

the Scheme means this Scheme as amended from time to time;

Share Scheme means any employees' share scheme established by the Company;

Shares means fully paid and irredeemable ordinary shares in the capital of the Company, which comply with the conditions in paragraphs 18 to 22 of Part 4 of Schedule 3, or shares representing those shares following any Capital Reorganisation;

Specified Age means age 60, which shall be the specified age for the purposes of the Scheme within the meaning of paragraph 31 of Schedule 3;

Subsidiary means any subsidiary of the Company within the meaning of Section 3 of the Securities Investment Business Law (2004 Revision) of the Cayman Islands;

Taxes Act means the Income and Corporation Taxes Act 1988;

Trustee means the trustees or trustee for the time being of any employee share trust established by the Company from time to time.

UKLA means the United Kingdom Listing Authority.

1.2 Where the context permits the singular shall include the plural and vice versa and the masculine shall include the feminine. Headings shall be ignored in construing the Scheme.

1.3 References to:

(a) any act of Parliament; or

(b) any Extra-Statutory Concession published by HMRC

shall include any modification, amendment or re-enactment thereof.

2. Invitation for Options

2.1 The Board may, during a Grant Period, invite all Eligible Employees to apply for Options at the Exercise Price: Provided that no invitation may be issued to any Eligible Employee who is excluded from participation in the Scheme by paragraph 11 of Schedule 3.

2.2 Subject to the specific provisions contained in the Scheme, the form, manner and timing of invitations to apply for Options, the number of Shares in respect of which invitations are made on any date and whether the Options will be three, five or seven year Options (or any of them, at the election of Eligible Employees), shall be at the absolute discretion of the Board. The invitation may either state the Exercise Price or (provided a mechanism exists by which the Exercise Price will be determined by the Date of Grant) invite applications by reference to amounts of monthly savings.

3. Application for Options

3.1 If an Eligible Employee wishes to apply for an Option he must, within such period (which shall not be less than 14 days) after the Invitation Date as is stated in the invitation, deliver to the Company (or its appointed agent) or the Trustee a duly completed form of application together with a duly completed application for a Savings Contract in the form prescribed by the Board on which the Eligible Employee must have indicated the Bonus Date on which he intends to apply for repayment thereunder.

3.2 The application for an Option shall be deemed to be for an Option over the largest whole number of Shares which can be acquired at the Exercise Price with the expected repayment, including any relevant bonus, under the related Savings Contract at the appropriate Bonus Date.

3.3 The Board may, in its absolute discretion, treat all late applications as valid unless they are received after the Date of Grant.

4. Scaling Down

4.1 If valid applications are received for Options over a number of Shares in excess of that which the Board has determined to make available on a particular occasion or in excess of any limitation under rule 7, the Board may scale down applications in accordance with the following successive steps (or such other method as may be agreed between the Board and HMRC at any time prior to the Date of Invitation) to the extent necessary to eliminate the excess:

(a) if the repayment under the Savings Contract would otherwise be taken as including the seven year bonus it shall be taken to include a bonus but not the seven year bonus;

(b) unless paragraph 4.1(c) applies, the amount of the monthly savings contribution chosen by each applicant shall be taken as reduced pro rata (or, if the Board so determines on a basis which reduces larger monthly savings contributions by a greater amount than smaller monthly contributions) to the extent necessary;

(c) the amount of any monthly savings contribution chosen by an applicant which exceeds such amount as the Board shall determine (not being less than the Minimum Amount) shall be taken as reduced to such amount;

(d) if the repayment under the Savings Contract would otherwise be taken as including a bonus, it should be taken as not including a bonus; and

(e) applications will be selected by lot, each based on a monthly savings contribution of the Minimum Amount and the inclusion of no bonus in the repayment under the Savings Contract.

4.2 If the number of Shares available is insufficient to enable an Option based on monthly savings contributions of the Minimum Amount and the inclusion of no bonus in the repayment under the Savings Contract to be granted to each Eligible Employee making a valid application, the Board may, as an alternative to selecting by lot, determine in its absolute discretion that no Options shall be granted on that occasion.

4.3 If applications are scaled down, the monthly contributions under Savings Contracts which Eligible Employees have chosen shall, where necessary, be scaled down as appropriate.

4.4 If, in applying the scaling down provisions contained in rule 4.1, the Board considers that it would be administratively impracticable for Options to be granted within the 30 day period referred to in rule 5.1, the Board may extend that period by not more than twelve days.

5. Grant of Options

5.1 The Board or the Trustee may, subject to any scaling down, on a single date which shall not be later than the 30th day after the earliest date by reference to which the Exercise Price was calculated, grant all (but not some of) the Options for which valid application has been made by Eligible Employees (provided that they remain Eligible Employees on the Date of Grant).

5.2 As soon as practicable after the Date of Grant, the Board or the Trustee shall procure the issue of an Option certificate to each Option Holder.

5.3 Options shall be granted in consideration of Eligible Employees agreeing to enter into Savings Contracts. No cash payment shall be made for the grant of an Option.

5.4 No Option shall be granted under the Scheme more than ten years after the date on which the Scheme is approved by the Company in general meeting.

5.5 Every Option granted hereunder shall be personal to the Option Holder and, except to the extent necessary to enable a personal representative to exercise the Option following the death of an Option Holder, neither the Option nor the benefit thereof may be transferred, assigned, charged or otherwise alienated. Any transfer of an Option otherwise than as permitted under this rule 5.5 shall cause the Option to lapse.

6. Individual Limit

No individual shall be granted an Option if the entry into the related Savings Contract would result in the monthly contributions under that Savings Contract, when added to the sum of his monthly contributions under any other subsisting Savings Contracts (whether or not linked to a subsisting Option granted under a scheme approved under Schedule 3), exceeding £250 (or such greater amount as is for the time being permitted under paragraph 25(3) of Schedule 3 and approved by the Board).

7. Scheme Limits

7.1 No Option to subscribe for Shares shall be granted if the result of that grant would be that:

(a) the aggregate number of Shares that could be issued on the exercise of that Option and any other Options granted at the same time, when added to the number of Shares that:

(i) could be issued on the exercise of any other subsisting share options or share awards granted during the preceding ten years under the Scheme or any other Share Scheme; and

(ii) have been issued on the exercise of any share options or share awards granted during the preceding ten years under the Scheme or any other Share Scheme; and

(iii) have been issued during the preceding ten years under any other employee share incentive scheme (not being a Share Scheme),

would exceed 10 per cent. of the ordinary share capital of the Company for the time being in issue.

7.2 Reference in this rule 7 to the ***issue*** of Shares shall, for the avoidance of doubt, mean the issue and allotment (but not transfer) of Shares. Where Shares are or will be allotted or issued to the Trustee for the purpose of satisfying Options by way of a transfer of Shares by the Trustee, such Shares should be treated as issued or capable of being issued for the purpose of this rule 7.

8. Exercise and Lapse of Options

8.1 An Option may only be exercised:

(a) during the six months following the Bonus Date relating to it;

(b) by an Option Holder who is not ineligible to participate in the Scheme by virtue of paragraph 11 of Schedule 3; and

(c) by an Option Holder who is, at the date of exercise, a director or employee of a Participating Company

and, if not exercised, shall lapse at the end of the six month period following the Bonus Date.

8.2 Where an Option Holder ceases to be a director or employee of a Participating Company before the expiry of six months after the Bonus Date:

(a) on retirement at the Specified Age or at any other age at which he is bound to retire under his contract of employment or by reason of redundancy (within the meaning of the Employment Rights Act 1996), injury or disability, he may exercise any outstanding Options within six months of the date on which his employment or period of office ceased, failing which exercise the Options shall lapse automatically: Provided that the Options may not be exercised more than six months following the relevant Bonus Date;

(b) on:

(i) his employing company ceasing to be under the Control of the Company; or

(ii) the business (or part of a business) in which he is employed being transferred to a person who is neither an Associated Company nor a company over which the Company has Control,

he may exercise any outstanding Options within six months of the date on which his employment ceased, failing which exercise the Options shall lapse automatically: Provided that the Options may not be exercised more than six months following the Relevant Bonus Date;

(c) on retirement (as determined by the Board) otherwise than at the Specified Age or at any age at which he is bound to retire under his contract of employment, he may exercise any outstanding Options which were granted more than three years before his retirement within six months of the date on which

his employment ceased, failing which exercise the Options shall lapse automatically: Provided that the Options may not be exercised more than six months following the relevant Bonus Date; or

(d) in any circumstances other than those set out in rules 8.2(a), 8.2(b) and 8.2(c), rule 8.4 and rule 8.5, his Options shall lapse automatically.

For the avoidance of doubt, an Option exercisable under this rule 8.2 may lapse at an earlier date by virtue of rule 10.

8.3 Where an Option Holder remains in employment with a Participating Company on attaining the Specified Age he may exercise his Options within six months of attaining that age

8.4 Where following the third anniversary of the Date of Grant, an Option Holder ceases to be a director or an employee of a Participating Company for any reason, he may exercise his Options within six months of the date on which his employment or period of office ceased, failing which exercise the Options shall lapse automatically: Provided that the Options may not be exercised more than six months following the relevant Bonus Date.

8.5 If an Option Holder dies while in service or at any time after leaving service when he holds an Option, such Options may be exercised by his personal representatives at any time within the twelve month period following:

(a) the date of death, if such death occurred before the relevant Bonus Date; and

(b) the Bonus Date, in the event of his death within six months after the relevant Bonus Date,

failing which exercise, the Options shall lapse automatically. For the avoidance of doubt, an Option exercisable under this rule 8.5 shall not lapse prior to the expiry of the specified twelve month period by virtue of rule 8.2 but may lapse at an earlier date by virtue of rule 10.

8.6 For the purposes of rule 8.2, an Option Holder shall not be treated as ceasing to be a director or employee of a Participating Company until:

(a) he ceases to hold an office or employment in the Company or any company over which the Company has Control or any Associated Company;

(b) he ceases to hold an office or employment in a jointly owned company within the meaning of paragraph 46 of Schedule 3 (being a jointly owned company which is not a participating company in more than one group scheme); or

(c) being a female director or employee who is absent from work wholly or partly because of pregnancy or confinement, she ceases to be entitled to exercise any statutory or contractual right to return to work.

8.7 Notwithstanding rule 8.1(c), if, at the Bonus Date, an Option Holder holds an office or employment in a company which is not a Participating Company but is an Associated Company or a company over which the Company has Control, Options may be exercised within (but no later than) six months following the Bonus Date.

8.8 If, before the Option has become exercisable, the Option Holder:

(a) gives notice, or is deemed to have given notice, under the terms of the related Savings Contract that he intends to stop paying contributions to that Savings Contract; or

(b) makes an application for repayment of the related Savings Contract,

the Option shall automatically lapse.

8.9 If an Option Holder is declared bankrupt or enters into any general composition with or for the benefit of his creditors including a voluntary arrangement under the Companies (Amendment) Law 2007 of the Cayman Islands, his Options shall automatically lapse.

9. Method and Extent of Exercise

9.1 An Option may only be exercised with monies not exceeding the amount repaid under the related Savings Contract, including any bonus or interest as at the date of repayment. No account shall be taken of any repayment of any contribution the due date of which arises after the date of repayment, or any bonus or interest in respect of that contribution.

9.2 An Option Holder may exercise his Option on one occasion only, in whole or in part, by giving notice in writing to the Company or to such other person (including, for the avoidance of doubt, the Trustee), as the Company may direct in the prescribed form specifying the number of Shares in respect of which the Option is being exercised and enclosing payment in full of the aggregate Exercise Price of those Shares together with evidence of closure of the related Savings Contract. The date of exercise shall be the date of receipt by the Company (or such other person as the Company may direct) of the notice of exercise. If the Option is exercised in respect of some only of the Shares comprised in the Option, the Option in respect of the balance shall thereupon lapse automatically.

10. General Offer for the Company etc.

10.1 If any person (either alone or together with any person acting in concert with him) makes a general offer to acquire the whole of the share capital of the Company (other than those shares which are already owned by him and/or any person acting in concert with him), the Company shall, as soon as reasonably practicable thereafter, and prior to the date on which the offer becomes or is declared unconditional in all respects give notice to each Option Holder of such general offer and each Option Holder may exercise his Options within the period of six months following the date on which the offer becomes or is declared unconditional in all respects Provided That an Option not be exercised more than six months after the relevant Bonus Date.

Failing any permitted exercise, the Options shall, without prejudice to the operation of rule 11, lapse automatically upon the expiry of the six month period Provided That if an event as described in rule 10.2 occurs during the six month period, the period during which the Options may be exercised shall be the shorter of the periods specified under this rule 10.1 and rule 10.2.

Compulsory Acquisition

10.2 If any person becomes bound or entitled to give a notice under Section 88 of the Companies Law (2007 Revision) of the Cayman Islands to acquire Shares, and the circumstances mentioned in rule 10.1 apply, each Option Holder may exercise his Options at any time during the period of 30 days from the date on which such a notice is first issued (whether or not the Option Period has commenced Provided That an Option not be exercised more than six months after the relevant Bonus Date.

Failing any permitted exercise the Options shall, without prejudice to the operation of rule 11, lapse automatically upon the expiry of the 30 day period.

Scheme of Arrangement

10.3 If under Sections 86 and 87 of the Companies Law (2007 Revision) of the Cayman Islands the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, any outstanding Options may be exercised within six months of the court sanctioning the compromise or arrangement, failing which exercise the Options shall, without prejudice to the operation of rule 11 lapse automatically Provided That an Option may not be exercised more than six months after the relevant Bonus Date.

10.4 Without prejudice to the operation of rule 11, Options shall not be exercisable without the consent of the Board under the provisions of rule 10.3 if the purpose and effect of the scheme of arrangement is to create a new holding company for the Company, such company having substantially the same shareholders and proportionate shareholdings as those of the Company immediately prior to the scheme of arrangement.

Voluntary Winding-up

10.5 If under Section 116 of the Companies (Amendment) Law 2007 of the Cayman Islands notice is duly given of a resolution for a voluntary winding-up of the Scheme Organiser then an Option Holder may exercise his Options within the period of two months from the date of the resolution, failing which exercise the Options shall lapse automatically.

11. OPTION ROLLOVER

11.1 If any company (the ***acquiring company***):

(a) obtains Control of the Company as a result of making:

(i) a general offer to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the acquiring company will have Control of the Company; or

(ii) a general offer to acquire all the Shares; or

(b) obtains Control of the Company in pursuance of a compromise or arrangement sanctioned by the Court under sections 86 and 87 of the Companies Law (2007 Revision) of the Cayman Islands; or

(c) becomes bound or entitled to acquire shares in the Company under section 88 of the Companies Law (2007 Revision) of the Cayman Islands,

each Option Holder may at any time within 6 months after the relevant date (which expression shall be construed in accordance with paragraph 37 of Schedule 3), by agreement with the acquiring company release any Option which has not lapsed (***the old option***) in consideration of the grant to him of an option (***the new option***) which (for the purposes of that paragraph) is equivalent to the old option but relates to shares in a different company (whether the acquiring company itself or another company falling within paragraph 18(b) or (c) of Schedule 3) (***the new grantor***).

11.2 The new option shall not be regarded for the purposes of rule 11.1 as equivalent to the old option unless the conditions set out in paragraph 39(4) of Schedule 3 are satisfied and, in relation to the new option, the provisions of the Scheme shall be construed as if:

(a) the new option were an option granted under the Scheme at the same time as the old option;

(b) references to the Company in rules 9, 10, 11, 12, 13, 14, 15, 16 and 17 were references to the new grantor provided that references to Participating Company shall continue to be construed as if references to the Company within this definition were to Liberty Acquisition Holdings (International) Company;

(c) references to the Board in rules 9, 12, and 17 were references to the board of directors of the new grantor;

(d) references to Shares were references to shares in the new grantor;

(e) the Savings Contract made in connection with the old option had been made in connection with the new option; and

(f) the Bonus Date in relation to the new option was the same as that in relation to the old option.

12. ADJUSTMENT OF OPTIONS

In the event of any Capital Reorganisation the Exercise Price, the definition of Shares and the number of Shares comprised in an Option may be adjusted in such manner as the Board may determine: Provided always that:

(a) no adjustment shall take effect without the prior approval:

(i) of HMRC; and

(ii) in respect of Options under which Shares are to be transferred, the person holding the Shares to which the Options relate (such approval not to be unreasonably withheld);

(b) no adjustment shall be made pursuant to this rule which would increase the aggregate Exercise Price of any Option;

(c) except as provided in this subparagraph (c) no adjustment may have the effect of reducing the Exercise Price to less than the nominal value of a Share. Where an Option subsists over both issued or unissued Shares any such adjustment may only be made if the reduction of the Exercise Price of Options over both issued and unissued Shares can be made to the same extent. Any adjustment to the Exercise Price of Options over unissued Shares shall only be made if and to the extent that the Board shall be authorised to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the Shares in respect of which the Option is exercisable exceeds the adjusted Exercise Price. The Board may apply such sum in paying up such amount on such Shares and so that on exercise of any Option in respect of which such reduction shall have been made the Board shall capitalise such sum (if any) and apply the same in paying up such amount as aforesaid; and

(d) in respect of an Option under which Shares are to be transferred, prior notification shall be given to the person holding the Shares to which the Option relates.

13. Allotment or Transfer of Shares on Exercise of Options

Subject to any necessary consents, to payment being made for the Shares and to compliance by the Option Holder with the terms of the Scheme, not later than 30 days after receipt of any notice of exercise in accordance with rule 9.2, the Company shall either allot and issue or procure the transfer of Shares to the Option Holder (or to his nominee). The Company shall (unless the Shares are to be issued in uncertificated form) as soon as practicable deliver to the Option Holder (or such nominee) a definitive share certificate or other evidence of title in respect of such Shares. Where the Shares are issued or transferred to a nominee of the Option Holder, the Option Holder shall remain the beneficial owner of the Shares.

14. Rights Attaching to Shares Allotted or Transferred Pursuant to Options

14.1 All Shares allotted or transferred upon the exercise of an Option shall rank pari passu in all respects with the Shares in issue at the date of exercise save as regards any rights attaching to such Shares by reference to a record date prior to the date of exercise.

14.2 Any Shares acquired on the exercise of Options shall be subject to the articles of association of the Company from time to time in force.

15. Availability of Shares

15.1 The Company or, where relevant pursuant to the rules of the Scheme, the Trustee shall at all times keep available for issue sufficient authorised but unissued Shares to permit the exercise of all unexercised Options under which Shares may be allotted or shall otherwise procure that Shares are available for transfer in satisfaction of the exercise of Options.

15.2 If and so long as the Shares are admitted to listing by the UKLA and admitted to trading by the London Stock Exchange, the Company will, at its expense, make application to the UKLA and the London Stock Exchange for Shares allotted on the exercise of any Option to be admitted to such listing and trading respectively.

16. Administration and Amendment

The decision of the Board shall be final and binding in all matters relating to the Scheme and it may at any time discontinue the grant of further Options or amend any of the provisions of the Scheme in any way it thinks fit: Provided that:

(a) at a time when the Scheme is approved by HMRC, and if such approved status is to be maintained, no amendment to a Key Feature may take effect without the prior approval of HMRC (and if such approved status is not to be maintained, the Company shall notify HMRC as soon as practicable of the relevant amendment);

(b) except as herein provided, the Board shall not make any amendment (not being an amendment that is necessary or desirable in order to maintain HMRC approval of the Scheme) that would materially prejudice the interests of existing Option Holders except with the prior consent or sanction of Option Holders who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters of all the Shares which would fall to be allotted or transferred upon exercise in full of all outstanding Options;

(c) no amendment to the advantage of Eligible Employees or Option Holders may be made:

(i) to the definition of Eligible Employee in rule 1.1;

(ii) the limitations on the number of Shares subject to the Scheme;

(iii) the maximum entitlement for any Eligible Employee under the Scheme;

(iv) the basis for determining an Eligible Employee's entitlement to Shares under the Scheme;

(v) the terms of Shares to be provided under the Scheme; and

(vi) the adjustments to Options, under rule 12, in the event of a Capital Reorganisation

without the prior approval of the Company in general meeting except in the case of minor amendments to benefit the administration of the Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Eligible Employees and Option Holders or any member of the Group; and

(d) without prejudice to any provision of the Scheme which provides for the lapse of an Option, the Board may not cancel an Option unless the Option Holder agrees in writing to such cancellation.

17. General

17.1 Any Participating Company may provide money to the Trustee or any other person to enable them or him to acquire Shares to be held for the purposes of the Scheme, or enter into any guarantee or indemnity for those purposes.

17.2 The rights and obligations of an Option Holder under the terms and conditions of his office or employment shall not be affected by his participation in the Scheme or any right he may have to participate in the Scheme. An individual who participates in the Scheme waives all and any rights to compensation or damages in consequence of the termination of his office or employment with any company for any reason whatsoever (whether lawfully or unlawfully) insofar as those rights arise, or may arise, from his ceasing to have rights under or be entitled to exercise any Option under the Scheme as a result of such termination or from the loss or diminution in value of such rights or entitlements. If necessary, the Option Holder's terms of employment shall be varied accordingly.

17.3 The existence of any Option shall not affect in any way the right or power of the Company or its shareholders to make or authorise any or all adjustments, recapitalisations, reorganisations or other changes in the Company's capital structure, or any merger or consolidation of the Company, or any issue of shares, bonds, debentures, preferred or prior preference stocks ahead of or convertible into, or otherwise affecting the Shares

or the rights thereof, or the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

17.4 Any notice or other document required to be given under or in connection with the Scheme may be delivered to an Option Holder or sent by post to him at his home address according to the records of his employing company or such other address as may appear to the Company to be appropriate including any electronic address. Notices sent by post shall be deemed to have been given on the day following the date of posting and notices sent by electronic means shall be deemed to have been given twelve hours after the time of despatch or at such earlier time as receipt is acknowledged. Any notice or other document required to be given to the Company [or the Trustee] under or in connection with the Scheme may be delivered or sent by post to it at its registered office (or such other place or places as the Board may from time to time determine and notify to Option Holders).

17.5 The Company, or where the Board so directs any Subsidiary, shall pay the appropriate stamp duty on behalf of the Option Holders in respect of any transfer of Shares on the exercise of the Options.

17.6 Benefits under this Scheme shall not be pensionable.

17.7 These rules shall be governed by, and construed in accordance with, the laws of England.

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

[THE TRUSTEES]

FORM OF TRUST DEED OF THE LIBERTY SHARE INCENTIVE PLAN

Established by resolution of the shareholders of the Company on [ ] and approved by HMRC under the Income Tax (Earnings and Pensions) Act 2003 on [DATE] with reference [REF NO.].

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THIS DEED is made on [DATE] 2009

BETWEEN:

(1) LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY, an exempted company with limited liability (registered number 20217) having its registered office at c/o Maples Corporate Service Limited, P.O.Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands (***the Company***); and

(2) [ ] of [ ] (***the Trustees***).

WHEREAS:

(A) The Company wishes to establish a share incentive plan approved in accordance with the provisions of Chapter 6 of Part 7 of and Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 providing for:

(i) shares to be appropriated to employees without payment (***Free Shares***); 2(1)(a)

(ii) shares to be acquired on behalf of employees out of sums deducted from their salary (***Partnership Shares***); and 2(1)(b)

(iii) shares to be appropriated to employees without payment in proportion to the Partnership Shares acquired by them (***Matching Shares***). 3(1)

(B) The purpose of the share incentive plan, to be called the Liberty Share Incentive Plan (the ***Plan***), is to facilitate and encourage the holding of shares by or for the benefit of employees of the Company and its Subsidiaries so that such plan shall constitute an "employees' share scheme" as that expression is defined in Section 743 of the Companies Act 1985 or from the time that such section is repealed, Section 1166 of the Companies Act 2006 and so that employees may enjoy a continuing stake in the Company. 7

(C) The Company by a resolution of the Board passed on [ ] approved the establishment of the Plan.

(D) The Trustees have agreed to be the original trustees of the Plan.

NOW THIS DEED WITNESSETH as follows:

1. DEFINITIONS

1.1 In the Plan, the following words and expressions shall bear, unless the context otherwise requires, the meanings set forth below:

Accounting Period means any period for which audited accounts or half-yearly accounts of the Company are made up;

Accumulation Period means in relation to any acquisition of Partnership Shares such period not exceeding twelve months as the Board may determine and specify in the relevant Partnership Share Agreement (and which must be the same for each Participant) during which deductions from Salary may be accumulated prior to being applied in the acquisition of Partnership Shares;[1] 51

the Act means the Income Tax (Earnings and Pensions) Act 2003;

Announcement Date means a date on which the Company makes an announcement of its results for the preceding Accounting Period;

Appropriation Day means a day on which Free Shares or Matching Shares are appropriated;

Appropriation Value means in relation to an appropriation of Shares, their Market Value on the relevant Appropriation Day; 35(2), (3), (4)

[1] The company should be aware that in setting an Accumulation Period, (a) a Participant will be entitled to receive a number of shares based on the lower of the Market Value at the start and at the end of the period, and (b) new joiners may not participate in the Plan during the period.

Appropriation Year means the Tax Year during which an appropriation of Free Shares and/or Matching Shares is or is intended to be made under the Plan;

Associated Company has the meaning given by Paragraph 94 of Schedule 2 to the Act; 94

Associated Plan means any employee share ownership plan approved under Schedule 2 to the Act established by the Company or an Associated Company; 64(2)(b)

the Auditors means the auditors of the Company for the time being;

Benefits Code has the meaning given by Section 63(1) of the Act;

the Board means the board of directors of the Company or a duly authorised committee thereof;

the Company means Liberty Acquisition Holdings (International) Company;

Close Company has the meaning given by Section 414 of the Taxes Act as modified by paragraph 20(4) of Schedule 2 to the Act;

Connected Company has the meaning given by paragraph 18 of Schedule 2 to the Act;

Control has the meaning given by Section 995 of the Income Tax Act 2007;

Dealing Day means any day on which the London Stock Exchange is open for the transaction of business;

the Deed means this Trust Deed constituting, inter alia, the Plan as amended from time to time;

Deed of Adherence means a deed substantially in the form set out in Schedule 5 hereto;

Dividend Shares means Shares which satisfy the requirements of Paragraph 65 of Schedule 2 to the Act and which are, or are to be, acquired with any cash dividend paid in respect of Plan Shares in accordance with Rule 11 of Schedule 1; 65

Eligible Employee means an individual who:

(a) is an employee (and is not under notice) of a Participating Company; and

(b) is a UK resident tax-payer within the meaning of paragraph 8(2) of Schedule 2 to the Act; and 15(2)

(c) has such Qualifying Period (if any) of employment with a Qualifying Company as the Board may determine; or 15(2)(b)

in the case of an individual who does not satisfy the requirement of paragraph (b) hereof but satisfies the eligibility requirements of paragraphs 1(a) and (c) is nominated by the Board as an employee of a Participating Company (or is nominated as a member of a category of such employees) 8(5)

PROVIDED always that in each case the individual is not ineligible to participate in the Plan by virtue of Rules 2.1, 2.2 and 2.3 of the Plan, [or because he has served a subsisting notice under Paragraph A.1.4 of Appendix A to Schedule 1 of the Plan directing the Trustees not to appropriate Shares to him;]

Employees' Share Scheme has the meaning given by Section 743 of the Companies Act 1985 or from the time that such Section is repealed, Section 1166 of the Companies Act 2006;

Employer Company has the meaning given by Section 510(7) of the Act;

Forfeiture Period means in relation to any appropriation of Free Shares or Matching Shares such period as the Board may determine in respect of that appropriation being a period of not more than three years beginning with the relevant Appropriation Day; 32(5)

Free Shares means Shares which are, or are to be, appropriated to a Participant without payment under Appendix A to Schedule 1 of this Plan or if the context so requires any New Shares issued or otherwise representing such Shares;

Group means the Company and the Subsidiaries and ***member of the Group*** shall be construed accordingly;

Holding Period means: 32

(a) such period as the Board may determine in respect of each appropriation of Free Shares or Matching Shares which may not be less than three years or more than five years beginning with the date on which the Shares are appropriated to the Participant (or such other period as may be permitted under Paragraph 36(2) of Schedule 2 to the Act from time to time) and which must be the same for all Participants receiving that appropriation of Free Shares or Matching Shares; and 36(2)

(b) in respect of Dividend Shares, three years beginning with the date referred to in Rule 11.6 (or such other period as may be permitted under Paragraph 67 of Schedule 2 to the Act from time to time);

ITTOIA means the Income Tax (Trading and Other Income) Act 2005;

Key Feature has the meaning given to that term by Paragraph 84(6) of Schedule 2 to the Act;

London Stock Exchange means the London Stock Exchange plc or any successor body thereto;

Market Value means in relation to a Share on any day: 92

(a) so long as the Shares are admitted to listing on the Official List of the Financial Services Authority and admitted to trading on the London Stock Exchange, the average of the middle market quotation(s) for shares of that class (as derived from the Daily Official List of the London Stock Exchange) for the 3 Dealing Days immediately preceding that day; or

(b) if at any time the Shares are not admitted to listing on the Official List of the Financial Services Authority and admitted to trading on the London Stock Exchange, the market value of a Share as determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance with HMRC Shares Valuation;

Matching Shares means Shares which are or are to be appropriated to a Participant under Appendix C to Schedule 1 of this Plan in proportion to any Partnership Shares acquired on the Participant's behalf and complying with the provisions of Paragraph 59 of Schedule 2 to the Act or if the context so requires any New Shares issued or otherwise representing such Shares; 59

Material Interest has the meaning given by Paragraph 20 of Schedule 2 to the Act as that Paragraph is construed in accordance with Paragraphs 21 to 24 (inclusive) of the said Schedule; 20-24

Member of a Consortium has the meaning given by Paragraph 99(3) of Schedule 2 to the Act; 99(3)

New Shares has the meaning given by Paragraph 87(7) of Schedule 2 to the Act;

Participant means any person to whom Free Shares or Matching Shares have been appropriated or on whose behalf Partnership Shares have been acquired or who has entered into a Partnership Share Agreement or, where the context so permits, his personal representatives;

Participating Company means: 4

(a) the Company; and

(b) any other body corporate which is under the Control of the Company, is a Subsidiary of the Company, and with the approval of the Company participates in the Plan and has executed a Deed of Adherence;

(c) and for the avoidance of doubt shall not mean a jointly-owned company of the Company as that term is defined in Paragraph 91 of Schedule 2 to the Act;

Partnership Share Agreement means the contract required to be entered into pursuant to Paragraph 44 of Schedule 2 to the Act in the form of Schedule 4 or in such other form as may be agreed with HMRC from time to time; 44

Partnership Share Money has the meaning given by paragraph 45(2) of Schedule 2 to the Act;

Partnership Shares means the Shares which are, or are to be, acquired by the Trustees on behalf of Eligible Employees under Appendix B to Schedule 1 of this Plan or if the context so requires any New Shares issued or otherwise representing such Shares;

Performance Period means the period as determined by the Board during which any performance target or performance measure applied to a Unit shall be assessed;

Plan means the Liberty Share Incentive Plan, the rules of which are set out in Schedule 1 hereto;

Plan Shares means any or all of any Free Shares, Matching Shares, Partnership Shares or Dividend Shares which are held by the Trustees upon the terms of the Plan on behalf of the Participants to whom they have been appropriated or on whose behalf they have been acquired or if the context so requires any New Shares issued or otherwise representing such Plan Shares; 99(1)

Plan Year means such period of twelve months as the Board shall determine from time to time;

PAYE Regulations has the meaning given by section 684(8) of the Act;

Qualifying Company means: 17

(a) a company that is a Participating Company at the end of any relevant Qualifying Period; or

(b) a company that when the individual was employed by it was a Participating Company; or

(c) a company that when the individual was employed by it was an Associated Company of:

(i) a company qualifying under (a) or (b) above, or

(ii) another company qualifying under this definition;

Qualifying Period means such period of continuous employment with a Qualifying Company which the Board may from time to time determine but which: 16

(a) in relation to eligibility for the appropriation of Free Shares, shall not be more than 18 months ending on the relevant Appropriation Day;

(b) in relation to eligibility for the acquisition of Partnership Shares, shall not be more than 18 months ending with the deduction of monies from Salary to acquire Partnership Shares (where there is no Accumulation Period) or 6 months ending with the start of the Accumulation Period relating to the Partnership Shares (where there is an Accumulation Period); and

(c) in relation to eligibility for the appropriation of Matching Shares, shall not be more than 18 months ending with the deduction of monies from Salary to acquire the Partnership Shares to which the Matching Shares relate (where there is no Accumulation Period) or 6 months ending with the start of the Accumulation Period relating to the Partnership Shares to which the Matching Shares relate (where there is an Accumulation Period).

PROVIDED THAT the Qualifying Period in relation to any appropriation of Free Shares or Matching Shares or any acquisition of Partnership Shares shall be the same for all employees of the Company and any Participating Companies but may be different in respect of different appropriations and acquisitions of such shares.

Reconstruction means a transaction affecting any Plan Shares as mentioned in Paragraph 86 of Schedule 2 to the Act; 86

Relevant Employment means employment with the Company or any Associated Company; 95(2)

Salary means in relation to an Eligible Employee such of the emoluments of his employment by reference to which he is eligible to participate in the Plan: 43(4)

(a) as are liable to be paid under deduction of tax under PAYE Regulations, after deducting any amounts included by virtue of the Benefits Code; or

(b) as would be liable to be so paid apart from the SIP Code,

in the case of an individual not within the scope of the charge to tax under Part 2 of the Act, such of the earnings of the eligible employment as would have fallen within paragraph (a) or (b) above if the individual had been within the scope of that charge to tax;

Share means a share in the capital of the Company which satisfies the conditions specified in Part 4 of Schedule 2 to the Act; 25-33

SIP Code has the meaning given by Section 488(3) of the Act;

Specified Age means age 60; 98

Subsidiary means, in relation to the Company, a subsidiary within the meaning given by Section 3 of the Securities Investment Business Law (2004 Revision) of the Cayman Islands;

the Taxes Act means the Income and Corporation Taxes Act 1988;

Takeover means a transaction affecting any Plan Shares, as mentioned in Paragraph 37 of the Schedule 2 to the Act; 37

Tax Year has the meaning give by Section 989 of the Income Tax Act 2007

Trustees means the original trustees referred to in the Deed or such other person or persons who is or are the trustee or trustees from time to time of the Plan; and

Unit means any individual or group of individuals, business unit, division, body corporate, or other person within the Company or any Participating Company to which the Board shall apply a performance target or performance measure.

1.2 Words and expressions not otherwise defined herein have the same meaning they have in the Act and the Taxes Act.

1.3 In these Rules references to any statutory provisions are to those provisions as amended, extended or re-enacted from time to time and shall include any regulations made thereunder; and, unless the context otherwise requires, words in the singular include the plural (and vice versa) and words importing any gender include all genders.

1.4 Headings shall be ignored in interpreting the provisions of the Plan.

2. Trusts of the Free Shares and Matching Shares

2.1 Each Participating Company hereby covenants with the Trustees to pay to the Trustees in accordance with and subject to the provisions of the Plan, the amounts due from it for the purpose of the acquisition of Free Shares or Matching Shares by the Trustees to be appropriated under the Plan to the Eligible Employees employed by it, together with any other amounts required to cover any costs, charges and expenses incurred in such acquisition and any other expenses and charges incurred by the Trustees in the establishment, operation and termination of the Plan.

2.2 Subject as hereinafter provided, the Trustees hereby agree with each Participating Company to apply all monies received by them from Participating Companies under the Plan in the acquisition of Free Shares or Matching Shares and in paying their expenses, taxation and other liabilities, as the case may be, in accordance with the Rules of the Plan and to hold any Shares once appropriated and all other trust property deriving therefrom UPON TRUST for the Participants respectively entitled thereto subject to the Rules of the Plan. 71(1), (2)

2.3 The Trustees shall, as soon as reasonably practicable after the acquisition of Free Shares or Matching Shares for the purposes of the Plan, appropriate the Shares so acquired to Eligible Employees in accordance with the Rules of the Plan. 71(2)(a)

2.4 If, in the case of any acquisition of Shares for the purpose of an appropriation under the Plan of Free Shares or Matching Shares, it is not possible to appropriate all the Shares so acquired, the Trustees may either retain so many of the Shares as the Company shall direct, or forthwith shall sell any Shares and thereupon may apply the proceeds to meet any expenses and subject thereto shall forthwith pay to the Participating Companies such monies in so far as practicable in the same proportion as they were provided or as may otherwise be appropriate. 75

2.5 The Trustees shall, as soon as reasonably practicable after the appropriation of Free Shares or Matching Shares by them pursuant to the Plan, notify each Participant in the form of Schedule 6 (or such other form as may be agreed with HMRC) of the description and number of Shares so appropriated to him, the date of the appropriation, the Appropriation Value of the Shares and the Holding Period applying to such Shares. 75(2)

3. Trusts of the Partnership Shares

3.1 Subject as hereinafter provided, the Trustees hereby agree with each Participating Company to hold all monies deducted from Participants' Salaries on behalf of such Participants in accordance with Paragraph B.2.6 of Appendix B to Schedule 1 hereto and to apply all such monies in the acquisition of Partnership Shares in accordance with the Rules of Plan and to hold any Partnership Shares once acquired and all other trust property deriving therefrom UPON TRUST for the Participants respectively entitled thereto subject to the Rules of the Plan. 71(2)(b)

3.2 If any monies deducted from Participants' Salaries on any occasion cannot be applied in the acquisition of Partnership Shares the Trustees may as the Company shall direct either retain so much of the surplus monies UPON TRUST for the Participants respectively entitled thereto subject to the Rules of the Plan or forthwith shall pay to the Participants their respective entitlements to such surplus monies.

3.3 The Trustees shall as soon as reasonably practicable after the acquisition by them of Partnership Shares pursuant to the Plan notify each Participant in the form of Schedule 6 (or such other form as may be agreed with HMRC) of the description and number of Partnership Shares so acquired on his behalf, the amount of monies deducted from his Salary and applied in acquiring the Partnership Shares and the Market Value of the Partnership Shares on the date of acquisition. 75(3)

4. Trusts of the Dividend Shares

4.1 Subject as hereinafter provided, the Trustees hereby agree with each Participating Company if directed by the Company to apply any cash dividends received by them in respect of Plan Shares in the acquisition of Dividend Shares and to hold any Dividend Shares once appropriated and all other trust property deriving therefrom UPON TRUST for the Participants respectively entitled thereto subject to the Rules of the Plan. 71(2)(c)

4.2 Subject as hereinafter provided, the Trustees hereby agree with each Participating Company if directed by the Company to hold any Shares received by them in respect of Plan Shares deriving from a scrip dividend and all other trust property deriving therefrom UPON TRUST for the Participants respectively entitled thereto subject to the Rules of the Plan.

4.3 If any cash dividend received in respect of Plan Shares on any occasion cannot be applied in the acquisition of Dividend Shares by virtue of the circumstances mentioned in Rule 11.4 of Schedule 1 the Trustees may as the Company shall direct either retain so much of the surplus cash dividends UPON TRUST for the Participants respectively entitled thereto subject to the Rules of the Plan or forthwith shall pay to the Participants their respective entitlements to such monies.

4.4 The Trustees shall as soon as reasonably practicable after the appropriation by them of Dividend Shares pursuant to the Plan notify each Participant in the form of Schedule 6 (or such other form as may be agreed with HMRC) of the description and number of Dividend Shares so appropriated to him, their Market Value on the date referred to in Rule 11.6, the amount of any part of the dividend which cannot be used to acquire a whole Share and which will be carried forward to be applied in the acquisition of Dividend Shares on another occasion in accordance with Rule 11.4 and the Holding Period applying to such Dividend Shares. 75(4)

5. General trusts of the Plan

5.1 The Company may enter into arrangements with the Trustees under which the Trustees may acquire Shares at any time prior to their allocation to Participants as Plan Shares.

5.2 If the Trustees become entitled in respect of any unappropriated or unallocated Shares to any rights to be allotted, or to subscribe for, further securities in the Company (other than an issue of capitalisation shares of the same class as Shares then held by the Trustees pending any appropriation or allocation as Free Shares, Matching Shares or Partnership Shares which capitalisation shares shall be retained by the Trustees and shall form part of the Free Shares, Matching Shares or Partnership Shares to be appropriated among the Participants on the relevant Appropriation Day), the Trustees may at their discretion take up those rights or sell them for the best consideration in money reasonably obtainable at the time or sell sufficient of them nil paid to enable the Trustees to subscribe in full for the balance of any unsold rights, or allow them to lapse.

5.3 The Trustees shall stand possessed of any unappropriated or unallocated Shares or unutilised cash balances arising under Clauses 2.4, 3.2, 5.1 or 5.2 above and any income arising therefrom on trust to apply the same in or towards the future subscription or purchase of Shares for the purposes of the Plan and/or the Trustees expenses of administering the same, and shall notify the Company from time to time of the amounts and number of Shares so held by them and their application.

5.4 If any foreign cash dividend is received in respect of Plan Shares held on behalf of a Participant, the Trustees shall give him notice of the amount of any foreign tax deducted from the dividend before it was paid. 75(5)

5.5 Any Shares transferred to the Trustees as referred to in Paragraph 78 of Schedule 2 to the Act (qualifying employee share trust) shall be appropriated only as Free Shares or Matching Shares under the Plan and not as Partnership Shares and only in priority to other Shares available for such appropriations. 78

6. Investment and borrowing powers

6.1 The Trustees may invest any monies from time to time held by them (excluding Partnership Share Money and cash dividends in respect of the Plan Shares) and not immediately required in such manner as they may choose to the extent that the Trustees shall have the same full and unrestricted powers of investing and transposing investments and laying out moneys in all respects as if they were an absolute beneficial owner thereof.

6.2 The Trustees shall be under no duty to invest or invest at interest any Trust property.

6.3 The Trustees shall have power to borrow moneys or otherwise receive credit from any person, corporation or company for any purpose (including, without prejudice to the generality of the foregoing, for the purposes of making investments) on such terms as to payment of interest (if any) and as to repayment and otherwise as the Trustees shall in their absolute discretion think fit and whether on the security of any property held by the Trustees on the trusts hereof or on personal security only or without security or on a guarantee from the Company and the Trustees may provide for repayment thereof or payment of costs associated therewith out of the capital or income of any Trust property as the Trustees may decide. 76

7. Receipts by the Trustees

7.1 Subject to Rules 11 and 12 of Schedule 1 (*reinvestment of cash dividends and scrip dividends*) and the Trustees' powers under Rule 14 of Schedule 1 (*PAYE*) and the Trustees' obligations under Sections 510 to 514 of the Act, the Trustees shall, as soon as practicable following their receipt of any dividend or other 75

money or money's worth in respect of Plan Shares (other than money's worth consisting of New Shares), account for and pay such dividend or other money or money's worth to Participants in accordance with their respective entitlements. The Trustees may retain such income received in respect of Plan Shares which have not been allocated to Participants upon the trusts hereof.

7.2 Upon receipt of a sum of money being (or being part of) a capital receipt in respect of any Plan Shares, the Trustees shall comply with the provisions of Sections 513(1) to 513(4) of the Act. 513(1)-(4)

7.3 Any Participating Company to which the Trustees pay or account for any part of any such sum as is referred to in Clause 7.2 shall (subject to compliance with the Act) forthwith account to the Participant for the balance remaining in its hands.

8. Disposal and retention of Plan Shares

8.1 Subject to Clause 8.2 below and Rule 14 of Schedule 1, the Trustees are under an obligation: 72(1)

(a) to dispose of a Participant's Plan Shares; and

(b) to deal with any right conferred in respect of any of the Participant's Plan Shares to be allotted other shares, securities or rights of any description,

only in accordance with a direction of that Participant or on behalf of that Participant.

8.2 During the relevant Holding Period, the Trustees shall not dispose of any Free Shares, Matching Shares or Dividend Shares held for a Participant (whether by transfer to the Participant or otherwise) except: 73(2)

(a) in accordance with a direction of that Participant (or his personal representatives) in the event of a Reconstruction or Takeover affecting such Shares; or

(b) in accordance with Rule 8 of Schedule 1 (*rights issues*); or

(c) in accordance with Rule 14 of Schedule 1 (*PAYE*); or

(d) pursuant to Rule 15 of Schedule 1 (*Participant ceasing to be in Relevant Employment)*; or

(e) in accordance with Paragraph 90(5) of Schedule 2 to the Act (*termination of Plan, early removal with consent of the Participant*).

9. Application of Plan to Subsidiaries, etc.

9.1 The Plan may with the consent of the Board be extended to any Subsidiary which is under the Control of the Company and not a party to this Deed by a Deed of Adherence in the form of Schedule 5; and thereupon the provisions of the Plan shall apply to that company as though it were a party to this Deed.

9.2 The Plan shall cease to apply to any company, other than the Company, at any time when:

(a) that company ceases to be a Subsidiary or under the Control of the Company; or

(b) a notice is served by the Company upon the Trustees that the Plan shall not apply to that company.

9.3 A company which is or has been a Participating Company shall provide the Trustees with all information required from it for the purposes of the administration and termination of the Plan and shall do so in such form as the Trustees shall reasonably require and the Trustees shall in good faith rely on such information without further enquiry.

9.4 If and so long as the Plan applies to any Participating Company, the powers and discretions exercisable by that company in relation to the Plan shall be exercisable by resolution of its board of directors or a duly authorised committee of such board, and a minute of any resolution thereof signed by the secretary or a director of that company shall be sufficient authority for the Trustees to act.

10. Voting rights and directions

10.1 If and so long as Plan Shares held under the Plan are registered in the names of the Trustees, the Trustees shall, in respect of any matter upon which at a general meeting of the Company or at any class meeting they are entitled to exercise any voting rights attaching thereto, invite the relevant Participants to direct them as to such exercise. The Trustees shall not be entitled in respect of Plan Shares held on behalf of such Participants to vote on a show of hands unless all directions received from those Participants who have given directions in respect of the particular resolution are identical, and shall not in any circumstances be under an obligation to call for a poll. In the event of any poll the Trustees shall vote only in accordance with the directions of Participants who have given such directions and shall not exercise voting rights in respect of Plan Shares where no directions have been received from Participants in relation to those Plan Shares.

10.2 The Trustees may not vote in respect of Shares which are not Plan Shares.

10.3 The Trustees shall deal only pursuant to a direction (which direction may be of general or specific application) given by or on behalf of the Participant or any person in whom the beneficial interest in that Participant's Shares is for the time being vested with any right conferred in respect of any of those Shares to be allotted other shares, securities or rights of any description.

11. Trustees' powers of delegation

11.1 The Trustees, in the exercise of their discretions and the performance of their duties hereunder, may employ and pay a registrar, solicitor, broker, actuary, accountant, banker or any other person, and may appoint any such person as their agent to transact all or any business, and may act on the advice or opinion of any solicitor, broker, actuary, accountant or other professional or business person, and shall not be responsible for anything done or omitted or suffered in good faith in reliance on such advice or opinion.

11.2 Except as otherwise provided by Schedule 2 to the Act, the Trustees may delegate any of their powers and duties hereunder or any business including the exercise of any discretion to any person or company including the Company or any Subsidiary.

11.3 The Trustees may at any time, and shall if so directed by the Company, revoke any delegation or arrangement made under this Clause and/or require any trust property held by another person to be returned to the Trustees.

11.4 The Trustees may execute and authorise any of their directors, officers or employees on their behalf to execute any deeds, documents, cheques or other instruments by the impression of any signature on behalf of, or as witness of any sealing by, the Trustees of any writing, printing, lithography, photocopying and other modes of representing or reproducing words in a visible form.

11.5 The Trustees may at any time cause any part of the trust property to be deposited for safekeeping with any person on behalf of the Trustees and may pay any expenses in connection therewith.

11.6 The Trustees may allow any Plan Shares to be registered in the name of an appointed nominee, provided that such shares shall be registered in a designated account. Such registration shall not divest the Trustees of their responsibilities under this Deed or Schedule 2 to the Act.

12. Administration

12.1 Subject to and in accordance with the provisions of this Deed, the Trustees may convene meetings and make such regulations as they consider appropriate relating to the administration of the Plan.

12.2 The Trustees shall maintain all such records as are necessary for the purpose of enabling the Trustees to make and account to HMRC for any PAYE deduction required in accordance with Sections 509 to 514 of the Act. **80(1)**

12.3 Where a Participant becomes liable to income tax under the Act or Chapters 4 and 3 Part 4 of ITTOIA by reason of the occurrence of any event the Trustees shall inform the Participant of any facts relevant to determining that liability. **80(3)**

12.4 The Trustees shall account to HMRC or other authority concerned for any amounts of income tax or other deductions required to be made in accordance with Sections 509 to 514 of the Act.

12.5 The Trustees shall furnish any information which they are required by notice to furnish to HMRC under Paragraph 93 of Schedule 2 to the Act within such time as such notice shall specify. 93

13. Trustees' indemnities and charges

13.1 The Participating Companies hereby covenant with the Trustees that they shall keep the Trustees and their estates and effects fully indemnified against all actions, claims, losses, demands, proceedings, charges, expenses, costs, damages, taxes, duties and other liabilities whatsoever arising out of or in connection with the Plan, but so that no Trustee shall be indemnified or exonerated in respect of any fraud or wilful default on his or his agent's part or (in the case of a Trustee engaged in the business of providing a trustee service for a fee) his or his agent's negligence. In addition the Trustees shall have the benefit of all indemnities conferred upon trustees generally by law and by the Trustee Act 2000.

13.2 Neither the Trustees nor any of their officers or employees shall be liable to account to Participants for any remuneration or other benefit received in connection with the Plan and no Trustee or officer or employee of the Trustees shall be liable to account to other Participants for any profit derived from the appropriation to him of Shares held under the Plan or acquisition of Partnership Shares.

13.3 Any person acting as a Trustee in the course of any profession or business carried on by him may charge and be paid such reasonable remuneration, charges or disbursements whether in connection with the Plan or otherwise as shall from time to time be agreed between him and the Company.

13.4 Any Trustee (and any director or officer of a body corporate or a trust corporation acting as a Trustee) shall not on his own account be precluded from acquiring, holding or dealing with any debentures, debenture stock, shares or securities whatsoever of the Company or any Subsidiary or any other company in the shares of which the Company or any Subsidiary may be interested, or from entering into any contract or other transaction with the Company or any Subsidiary or any such other company, or from being interested in any such contract or transaction, and nor shall he be in any way liable to account to the Company or any Subsidiary or any Participant for any profits made, fees, commissions, shares of brokerage, discounts allowed or advantages obtained by him from or in connection with such acquisition, holding, dealing, contract or transaction whether or not in connection with his duties hereunder.

13.5 The Trustees shall be entitled in the absence of manifest error to rely without further enquiry on information supplied to them by any Participating Company for the purposes of the Plan and shall also be entitled to rely in the absence of manifest error on any direction, notice or document purporting to be given or executed by or with the authority of any Participating Company or by any Participant as having been so given or executed.

14. Appointment, removal and retirement of Trustees

14.1 The Company may at any time in its absolute discretion by writing under hand of a person duly authorised by a resolution of the Board:

(a) appoint a new or additional Trustee, including a corporate Trustee; and

(b) remove a Trustee from office (but not so as to leave in office less than two Trustees, unless a corporate Trustee), without assigning any reason therefore and such removal shall (in the absence of any other date specified in the notice) take place forthwith.

14.2 The powers of appointment and removal shall be vested in the Trustees in the event that the Company ceases to exist otherwise than in consequence of a Reconstruction or Takeover when the successor company (or, if more than one, such successor companies as the Company shall nominate) shall have such powers.

14.3 A Trustee may retire by giving to the Company written notice of his desire to retire and such notice shall take effect at the expiry of three months (or such other period as may be agreed with the Company) from the date of such notice. The retiring Trustee shall not be obliged to give any reason for and shall not be responsible for any costs occasioned by such retirement but shall execute all such documents and do all such things as may be necessary to give proper effect to such retirement.

14.4 Forthwith upon his removal or retirement a Trustee shall transfer all trust property held by him and deliver all documents in his possession relating to the Plan as the Company may direct and hereby authorises the continuing Trustees, in the absence of such transfer, to effect such transfer on his behalf.

14.5 A person shall not be disqualified from acting as a Trustee or an officer or employee of a Trustee of the Plan because he is or was an officer or employee of a Participating Company or is or was a Participant.

15. Residence of the Trustees

15.1 The Trustees shall at all times be resident in the United Kingdom for United Kingdom tax purposes. 71

16. Alterations

16.1 The Board may prior to approval of the Plan under Schedule 2 to the Act by HMRC alter or add to the Plan (including this Deed and the Schedules hereto) as may be necessary in order to obtain such approval.

16.2 After the date on which the Plan is approved by HMRC, the Board may by written resolution alter or add to any of the provisions of this Deed in such manner as may be thought fit (and such alterations or additions shall be binding on the Trustees and all Participating Companies and Participants) PROVIDED THAT no such purported alteration or addition shall be effective:

(a) if and so long as the Plan is desired to be approved by HMRC, where the alteration or addition is to a Key Feature of the Plan or of the terms of this Trust Deed, until approved by HMRC; 84(1)(b)

(b) where the alteration or addition is to the advantage of existing or future Participants, without prior shareholder approval where such alteration or addition relates to:

(i) the persons to whom or for the benefit of whom Shares may be appropriated or acquired under the Plan;

(ii) the limitations on the number of Shares to be appropriated to Participants or acquired on their behalf and to be made available under the Plan (but so that they may be adjusted as provided herein);

(iii) the determination of the price at which the Trustees are to subscribe for Shares;

(iv) the voting, dividend, transfer and other rights attaching to Shares;

(v) the rights of Participants on the winding-up of the Company; or

(vi) the terms of this Clause 16.2(b);

provided that the Board may alter or add to the Plan without prior shareholder approval to comply with or take account of the provisions of any proposed or existing legislation, or to take advantage of any changes in the legislation, or to maintain or obtain favourable tax treatment of any Shares or of any Participant or Participating Company but not so as to alter the basic structure of the Plan or the limits in Rule 3.1 of the rules of the Plan as set out in Schedule 1 hereto;

(c) where the alteration or addition would adversely affect any right already acquired by the Participant, without the prior written consent of each Participant (other than in a case where the alteration or addition is made as a result of a change in the law);

(d) where the alteration or addition would cause the Plan to cease to be an Employees' Share Scheme; and

(e) where the alteration or addition would offend the rule against perpetuities.

16.3 Written notice of any alteration or addition made in accordance with Clause 16.2 shall be given to the Trustees and all Participants affected thereby.

17. Termination of Plan

17.1 No appropriation of Shares under the Plan may be made later than seventy-four years after the date of this Deed or the earlier termination of the Plan by the Board or the Company in general meeting or pursuant to a plan termination notice issued in respect of the Plan pursuant to Paragraph 89 of Schedule 2 to the Act, and the perpetuity period applicable to this Deed shall be eighty years. 89

17.2 Any assets of the trust shall be paid to Participating Companies or if relevant to Participants so far as practicable in proportion to the total amounts provided by each of them to the Trustees.

18. Governing law

18.1 This Deed and the relationship between the parties shall be governed by and construed in accordance with the law of England.

18.2 Each of the parties agrees that the courts of England are to have exclusive jurisdiction to settle any disputes (including claims for set-off and counterclaims) which may arise in connection with the creation, validity, effect, interpretation or performance of, or the legal relationships established by, this Deed or otherwise arising in connection with this Deed, and for such purposes irrevocably submit to the jurisdiction of the English courts.

18.3 The Trustees irrevocably consent to service of process or any other documents in connection with proceedings in any court by facsimile transmission, personal service, delivery at any address specified in this Deed or any other usual address, mail or in any other manner permitted by English law, the law of the place of service or the law of the jurisdiction where proceedings are instituted.

19. Construction of this Deed

The Schedules and Appendices hereto shall be treated as part of this Deed.

20. Counterparts

This Deed may be executed in any number of counterparts and by the parties to it in separate counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

In witness whereof these presents have been entered into the day and year first above written.

SCHEDULE 1

THE RULES OF THE LIBERTY

SHARE INCENTIVE PLAN

1. Operation of the Plan

3(2) 1.1 The Board may in its absolute discretion determine in respect of any Plan Year, or such longer period as the Board shall determine, whether Free Shares may be appropriated to Eligible Employees and if it so determines the provisions of this Schedule 1 and of Appendix A to this Schedule 1 shall apply. The Board may determine that the availability and number of Free Shares to be appropriated in respect of that Plan Year, or such longer period as the Board shall determine, shall be conditional upon specified performance targets and or performance measures being met or satisfied.

51(1), (3) 1.2 The Board may in its absolute discretion determine in respect of any Plan Year, or such longer period as the Board shall determine, whether it shall arrange for Partnership Shares to be acquired on behalf of Eligible Employees out of deductions from their pay and if it so determines the provisions of this Schedule 1 and of Appendix B to this Schedule 1 shall apply. The Board may determine that Partnership Shares to be acquired in respect of that Plan Year, or such longer period as the Board shall determine, shall be acquired at the end of an Accumulation Period or after each deduction from a Participant's Salary. The Board may determine that any Accumulation Period shall come to an end on the occurrence of a specified event.

1.3 Whenever the Board determines that Partnership Shares may be acquired on behalf of Eligible Employees it may in its absolute discretion determine whether it shall offer an appropriation of Matching Shares in proportion to any Partnership Shares so acquired and if it so determines the provisions of this Schedule 1 and of Appendix C to this Schedule 1 shall apply. The Board shall determine in respect of each acquisition of Partnership Shares the ratio of Matching Shares to Partnership Shares which shall be offered.

2. Eligibility

14(7) 2.1 If an individual participates in an award of Shares under the Plan in any Tax Year in which he has
18(1), 18A already participated in an award of shares under one or more other share incentive plans approved by HMRC pursuant to Schedule 2 of the Act and established by the Company or a Connected Company then:

(a) the maximum annual amount of Free Shares which may be awarded to a Participant in terms of A.4.2;

(b) the maximum deduction from Salary that may be made in respect of Partnership Shares in terms of B.2.2; and

(c) the limit on the amount of any cash dividend paid in respect of Plan Shares that may be reinvested as set out in Rule 11.2, shall apply as if the Plan and the other plan or plans were a single plan.

18 2.2 An individual shall not be eligible to participate in an award of Free Shares, Partnership Shares or Matching Shares under the Plan at the same time as he participates in an award of shares under another employee share ownership plan approved by HMRC pursuant to Schedule 2 to the Act and established by:

(a) the Company; or

(b) a Connected Company.

19, 20 2.3 An individual shall not be eligible to participate in the Plan at any time when he has (or has within the preceding twelve months had) a Material Interest or is regarded by virtue of Paragraph 20 of Schedule 2 to the Act as having a Material Interest in:

(a) the Company; or

(b) any company which has Control of the Company; or

(c) a Member of a Consortium which owns the Company,

PROVIDED that this Rule 2.3 shall only apply if the Company is or was at all relevant times a Close Company or would be or would have been a Close Company but for Section 414(1)(a) *(exclusion of companies not resident in the United Kingdom)* or Section 415 *(exclusion of certain quoted companies)* of the Taxes Act.

3. Limitations

3.1 The aggregate number of Shares which may be issued for the purposes of an appropriation or acquisition of Shares under the Plan, and the number of Shares issued or issuable pursuant to rights to subscribe for Shares granted under any other Employees' Share Scheme established by the Company shall not exceed on the date of subscription 10 per cent. of the issued ordinary share capital of the Company at that date in respect of rights under the Plan and any other Employees' Share Schemes granted in the preceding 10 years.

3.2 References in this Rule to issues of Shares shall, for the avoidance of doubt, only include arrangements under which Shares are newly allotted and issued.

4. Contributions to be made by Participating Companies

4.1 Contributions to be made by the Company and each Participating Company to the Trustees to support any acquisition of Free Shares or Matching Shares by the Trustees for appropriation on any Appropriation Day shall be paid not later than the [fifth] Dealing Day immediately prior to the relevant Appropriation Day.

4.2 A Participating Company shall only contribute to the Trustees such sums as are required in connection with the acquisition of Shares by the Trustees for appropriation to Eligible Employees who are for the time being employees of that Participating Company.

5. Acquisition of Free Shares and Matching Shares

5.1 The Trustees, if so directed by the Board, shall not later than [3 days prior to] the relevant Appropriation Day (which day the Company shall notify to the Trustees in advance), acquire Shares for appropriation under the Plan on that Appropriation Day as Free Shares or Matching Shares by purchase on the London Stock Exchange or privately (provided that any private purchase made at a time when shares in the Company are listed is made at a price not materially more or less than their Market Value on the day on which they are acquired.

5.2 The Trustees, if so directed by the Board, shall not later than [3 days prior to] the relevant Appropriation Day (which day the Company shall notify to the Trustees in advance), subscribe for Shares for appropriation under the Plan on that Appropriation Day as Free Shares or Matching Shares, and the price per Share at which the Trustees subscribe for Shares under the Plan shall be the greater of:

(a) the nominal value of a Share on the date of subscription; and

(b) the Market Value of a Share.

6. Shares to be Appropriated or Acquired

6.1 Shares subscribed for by the Trustees (whether or not appropriated or acquired on behalf of Participants pursuant to the Plan) shall rank pari passu in all respects with the Shares then in issue except they will not rank for any rights attaching to Shares by reference to a record date preceding the date of issue.

6.2 If and so long as Shares are listed by the Financial Services Authority acting as the UK Listing Authority, the Company shall apply for a listing for any Shares issued pursuant to the Plan as soon as practicable after the allotment thereof.

7. Circulars and Notices

The Company shall procure that the registrars will send or make available to [the Trustees sufficient] [Participants] copies [for all Participants] of all documents normally issued by the Company and sent to the holders of Shares.

8. Rights Issues

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8.1 Whenever a company grants to the holders of any class of shares of which some are Plan Shares any rights to acquire other shares, securities or rights of any description in that company (a ***Rights Issue)*** each Participant shall be notified by the Trustees of the rights relating to his Plan Shares and he may instruct the Trustees to do one or more of the following:

(a) subject to the provision by him of any necessary funds, to take up or sell all or any of the rights or allow them to lapse;

(b) to sell rights nil paid to the extent necessary to enable the Trustees to subscribe in full for the balance of any unsold rights,

which instructions may be particular or of general application and relate to Plan Shares appropriated before and after the date of the relevant Rights Issue.

8.2 The Trustees shall act upon any such instruction received by them not less than five Dealing Days before the expiry of the period allowed for the exercise of any rights pursuant to the relevant Rights Issue. If any Participant has not prior to five Dealing Days before the expiry of the period allowed for the exercise of any such rights given instructions to the Trustees with regard thereto and provided any funds necessary for the purpose, the Trustees shall allow such rights to lapse. The Trustees shall deal with any capital receipt received in consequence of the non-exercise or sale of any rights in accordance with Clause 7.2 of the Trust Deed.

8.3 Any shares, securities or rights taken up by the Trustees on behalf of any Participant under this Rule shall, subject to Rule 13 and to the provisions of Paragraph 88 of Schedule 2 to the Act, form part of the Participant's Plan Shares and shall be deemed to have been appropriated at the same time as the Participant's Plan Shares to which they relate.

8.4 Nothing in this Rule shall require the Trustees to act in any manner whereby they would incur any liability unless indemnified to their satisfaction by the Participant against such liability.

9. Capitalisation Issues

Where a company allots any New Shares by way of capitalisation to the Trustees in respect of any Participant's Plan Shares, such New Shares shall, subject to Clause 7.2 of the Trust Deed, form part of that Participant's Plan Shares and shall be deemed to have been appropriated at the same time as the Participant's Plan Shares in respect of which they are allotted.

10. Reconstruction and Takeover

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10.1 If there is a Reconstruction or Takeover affecting Plan Shares, the Participants shall be notified of such event and any Participant may give notice in writing to the Trustees instructing them on the action to be taken (and, where appropriate, exercise any right to elect to receive any particular form of consideration available thereunder) in respect of any of his Plan Shares.

10.2 If there is a Reconstruction or Takeover affecting Plan Shares, the consideration received thereunder shall (so far as it consists of cash or securities which cannot be held under the Plan) be treated as the proceeds of a disposal under Rule 14 and (so far as it consists of New Shares) be held by the Trustees as Plan Shares subject to the Rules of the Plan mutatis mutandis as if the same were the Shares in respect of which they are issued, or which they otherwise represent.

10.3 In the event of any Plan Shares being compulsorily acquired under Section 88 of the Companies Law (2007 Revision) of the Cayman Islands, or if under any compromise or arrangement sanctioned by the

Court pursuant to Section 86 and 87 of the Companies Law (2007 Revision) of the Cayman Islands, Plan Shares are transferred to another company or cancelled for a consideration consisting of cash and/or securities or shares, the Participants concerned shall be entitled to receive notification thereof from the Trustees as soon as practicable after such acquisition, transfer or cancellation, and to give instructions to the Trustees in relation to such consideration, and the provisions of Rules 10.1, 10.2 and 13 shall apply mutatis mutandis so far as relevant.

11. Reinvestment of Cash Dividends

62, 6966 11.1 Subject as hereinafter provided any cash dividends paid in respect of Plan Shares held on behalf of a Participant shall unless otherwise directed by the Board be applied by the Trustees in acquiring Dividend Shares subject to the limit contained in Rule 11.2 to be held on behalf of a Participant. In acquiring Dividend Shares all Participants shall be treated fairly and equally. The Company may cease and start the Dividend Reinvestment part of the Plan at any time.

61(1) 11.2 The limit referred to in Rule 11.1 is that the maximum aggregate amount of any cash dividend paid in respect of Plan Shares that may be reinvested by or on behalf of a Participant in Dividend Shares under the Plan and any Associated Plan shall be £1,500 in any Tax Year (or such other amount as may be permitted under Paragraph 64(1) of Schedule 2 to the Act from time to time).

64(3) 11.3 The Trustees shall pay to the Participant such amount of any cash dividend which is in excess of the limit referred to in Rule 11.2 as soon as practicable.

68(1)-(3) 11.4 The Trustees may retain and carry forward to be added to the amount of the next cash dividend to be reinvested the amount of any cash dividend which is insufficient to acquire one or more Dividend Shares.

68(4), (5), (6) 11.5 The Trustees shall as soon as practicable pay to the Participant any amount retained in accordance with Rule 11.4:

(a) if or to the extent that such amount is not reinvested within the period of three years beginning with the date on which the dividend was paid; or

(b) if during the three year period mentioned in sub-paragraph (a) the Participant ceases to be in Relevant Employment; or

(c) if during the three year period mentioned in sub-paragraph (a) a termination notice is issued in respect of the Plan pursuant to Paragraph 89 of Schedule 2 to the Act

and for the purposes of this Rule 11.5, amounts carried forward which arise from earlier cash dividends are treated as reinvested before amounts which arise from later cash dividends.

66(4) 11.6 The Trustees shall apply any cash dividend in acquiring Dividend Shares (whether by the subscription of unissued Shares or the purchase of existing Shares (in the market or privately)) on a date set by the Trustees in relation to the acquisition of Dividend Shares which shall be within 30 days of the date on which they receive the dividend.

62 11.7 The Trustees may treat a cash dividend as applied in acquiring Dividend Shares if they appropriate Shares already held by them.

66(3) 11.8 The number of Dividend Shares appropriated to a Participant on any occasion by the Trustees shall be such number as can be acquired at the Market Value of the Shares on the date referred to in Rule 11.6 above with the cash dividend received in respect of the Participant's Plan Shares on that occasion.

11.9 Dividend Shares shall be held by the Trustees in accordance with Clauses 4 and 8 of the Deed.

69 11.10 If Dividends are not required to be reinvested, they shall be paid to the Participant as soon as practicable after they are received by the Trustees.

12. [Scrip Dividends

12.1 This Rule applies where the holders of any class of shares of which some are Plan Shares are offered the right to elect to receive shares, credited as fully paid in whole or in part, in lieu of a cash dividend. Within five working days or such other period as the Trustees may decide before the closing of the offer, the Participant may:

(a) instruct the Trustees to elect to receive shares; or

(b) instruct the Trustees to elect to receive cash,

which instructions may be of particular or of general application and relate to Plan Shares appropriated before and after the relevant date of the Scrip Dividend.]

13. Fractional Entitlements

13.1 Where a company makes an offer or invitation conferring any rights upon its members to acquire against payment additional shares, securities or rights of any description in that company or where that company allots any new securities by way of capitalisation, the Trustees shall allocate such rights or securities amongst the Participants concerned on a proportionate basis and, if such allocation shall give rise to a fraction of a security or a transferable unit thereof (in this Rule "unit"), shall round such allocation down to the next whole unit and the Trustees shall aggregate the fractions not allocated and use their best endeavours to sell any rights or units which are not allocated and distribute the net proceeds of sale (after deducting therefrom any expenses of sale and any taxation which may be payable in respect thereof) proportionately among the Participants whose allocation was rounded down, provided that any sum of less than [£3] otherwise distributable to a particular Participant may be retained by the Trustees in accordance with Clause 5.3 of the Trust Deed.

13.2 In any circumstances in which the Trustees receive New Shares which form part of a Participant's Plan Shares the Trustees shall allocate the New Shares to the Participant by reference to the relative times of appropriation of his Plan Shares to which they relate and, if any such allocation should give rise to a fraction of a New Share, the Trustees shall, subject to the Act, round such allocation up or down to the next whole unit as they in their discretion think fit.

14. Disposals and Payments

79510 The Trustees may dispose of or acquire from the Participant all or any of a Participant's Plan Shares, or accept a sum from the Participant in order to enable the Trustees to pay the Employer Company an amount sufficient to enable the Employer Company to satisfy any obligation in respect of the Participant's Plan Shares in accordance with Sections 509 to 514 of the Act.

15. Withdrawal of Shares from the Plan on Cessation of Relevant Employment

97(1) 15.1 Subject to any terms for forfeiture of a Participant's Free Shares or Matching Shares, if a Participant ceases to be in Relevant Employment, the Trustees may:

(a) transfer to the Participant or any other person whom the Participant so directs all the Participant's Plan Shares held by them; or

(b) if the Participant so directs, dispose of all the Participant's Plan Shares held by them and account (or hold themselves, ready to account) for the proceeds of sale to the Participant or any other person whom the Participant so directs less any amounts deducted under Rule 14.

55(3) 15.2 For the purposes of this Rule 15 a Participant shall not be treated as ceasing to be in Relevant Employment if he remains in the employment of the Company or any Associated Company.

16. Transfer of Legal Title

The Trustees shall transfer the legal title to any Plan Shares into the name of the relevant Participant or to another person as soon as reasonably practicable after the Participant gives the Trustees any written direction to that effect in accordance with the rules of the Plan.

17. Stamp Duty

Any stamp duty or other expenses involved in any transfer of Shares by the Trustees shall be payable:

(a) in the case of a transfer into the name of the Participant concerned, [by the Trustees (and reimbursed by the Company)]; and

(b) in any other case, by the transferee concerned.

18. Notices

18.1 The Trustees shall not be bound to act upon any instructions given by or on behalf of a Participant or any person in whom the beneficial interest in his Plan Shares is for the time being vested pursuant to the Plan unless such instructions are received by the Trustees from the relevant person.

18.2 Any notice which the Trustees are required or may desire to give to any Eligible Employee or Participant pursuant to the Plan shall be in writing and sufficiently given if delivered to him personally via electronic means or sent first class through the post pre-paid addressed to the Eligible Employee or Participant at his address last known to the Trustees (including any address supplied by the relevant Participating Company or any Subsidiary as being his address) or if sent through the Company's internal postal service, and if so sent by post shall be deemed to have been duly given on the day following the date the notice is posted and if sent through the Company's internal postal service shall be deemed to have been duly given three working days after the date of posting. Notices sent by electronic means shall be deemed to have been duly given on the day following the date the notice was sent. Any document so sent to a Participant shall be deemed to have been duly delivered notwithstanding that he be then deceased (and whether or not the Trustees have notice of his death) except where his personal representatives have established their title to the satisfaction of the Trustees and supplied to the Trustees an address to which documents are to be sent.

19. Information

The Trustees shall maintain such records as may be necessary to comply with the Act, and shall at all times and from time to time give to each Participant such information as shall be in their possession to enable him to determine and quantify any liability he may have to income tax under Part 2 of the Act.

20. Disputes

20.1 The decision of the Board in any dispute or question affecting any Eligible Employee or Participant under the Plan shall be final and conclusive subject to the concurrence of the Auditors whenever required under the provisions hereof.

20.2 In any matter in which they are required to act hereunder the Auditors shall be deemed to be acting as experts and not as arbitrators and the Arbitration Acts 1950 to 1979 shall not apply hereto.

21. Terms of Employment

21.1 Nothing in the Deed or the Plan shall in any way be construed as imposing upon a Participating Company a contractual obligation as between the Participating Company and an employee to contribute or to continue to contribute to that Plan.

21.2 In no circumstances shall any person who has ceased to be an employee of the Company, any Subsidiary or any Associated Company by reason of dismissal or otherwise howsoever or who is under notice of termination of his employment be entitled to claim as against any Participating Company, Subsidiary, Associated Company or the Trustees any compensation for or in respect of any consequential loss he may suffer by reason of the operation of the terms of the Plan or of the provisions of the Act.

APPENDIX A

FREE SHARES

A.1 Invitations to Participate in Appropriations of Free Shares

34 A.1.1 Whenever the Board resolves that Free Shares may be appropriated to Eligible Employees in accordance with Rule 1.1 of Schedule 1, the provisions of this Appendix A shall apply.

A.1.2 The Company shall issue a letter of invitation in the form of Schedule 2 (or such other form as may be agreed with HMRC) to each Eligible Employee who has not previously become a Participant (and, if applicable, to each Eligible Employee who has, since Free Shares were last appropriated, revoked a notice previously served by him under paragraph A.1.6) to consent to the appropriation of Free Shares under the Plan by returning the accompanying contract of participation in the form of Schedule 3 (or such other form as may be agreed with HMRC) duly completed by such date as shall be specified in the letter of invitation (but in any event prior to the relevant Appropriation Day).

36 A.1.3 The Company, shall in respect of each appropriation of Free Shares specify a Holding Period applicable to those Free Shares and any Dividend Shares which once specified may not be increased in respect of that appropriation.

32 A.1.4 The Company may in respect of each appropriation of Free Shares specify a Forfeiture Period applicable to those Free Shares which must be the same for all Free Shares appropriated to Eligible Employees on that occasion.

36 A.1.5 A contract of participation shall bind the relevant Eligible Employee in contract with the Company in consideration of the appropriation to him of Free Shares:

36(5) (a) to permit all Free Shares appropriated to him and any Dividend Shares to remain in the hands of the Trustees throughout the applicable Holding Period or, if earlier, until he ceases to be in Relevant Employment; and

36(5) (b) not to assign, charge or otherwise dispose of his beneficial interest in any Free Shares or any Dividend Shares during the applicable Holding Period or, if earlier, until he ceases to be in Relevant Employment; and

36(4) 79(1) (c) if he directs the Trustees to transfer the legal title of any Free Shares to him or any other person at any time before the end of the period of five years beginning with the date on which the Free Shares are appropriated to him, to agree to the Trustees disposing of any of a Participant's Shares in order to enable the Trustees to pay to the Employer Company an amount sufficient to enable the Employer Company to satisfy any obligation to deduct PAYE in accordance with Sections 509 to 514 of the Act unless he pays to the Trustees a sum equal to the amount of such obligation

37 PROVIDED that no Participant by virtue of the signature of a contract of participation shall be precluded from directing the Trustees to dispose of his Free Shares in accordance with paragraph 37 of Schedule 2 to the Act in the event of a Reconstruction or a Takeover affecting his Free Shares.

A.1.6 An individual may by notice given to the Company before an Appropriation Day direct that Free Shares shall not be appropriated to him on that Appropriation Day or on each subsequent Appropriation Day. A notice given by an individual under this paragraph A.1.6 may be revoked by that individual giving the Company a written notice of revocation.

A.2 Basis of Allocation of Free Shares

A.2.1 The Free Shares to be appropriated to Eligible Employees shall be allocated to such Eligible Employees on the same terms in accordance with one or more of the following formulae to be determined in respect of each appropriation by the Board:

9(3)(b) 15(2)(b) (a) Eligible Employees shall be appropriated Free Shares the number or value of which shall be determined by reference to their remuneration; or

9(3)(b) 15(2)(b) (b) Eligible Employees shall be appropriated Free Shares the number or value of which shall be determined by reference to their length of service with a Qualifying Company; or

9(3),(1) (c) Eligible Employees shall be appropriated Free Shares the number or value of which shall be determined by reference to the number of hours they work for a Qualifying Company; or

(d) Eligible Employees shall be appropriated a fixed number of Free Shares or a number of Free Shares with a Market Value equal to a fixed sum; or

39 (e) Eligible Employees shall, subject to the provisions of paragraph A.6, be appropriated Free Shares the number or value of which shall be determined according to the achievement by the Unit in which the Eligible Employee works of performance targets and/or performance measures during a Performance Period which in the case of performance measures shall:

39(3) (i) be based on business results or other objective criteria determined by the Board; and

(ii) be fair and objective measures of the performance of that Unit,

9 PROVIDED THAT where an appropriation of Free Shares is based upon more than one of the factors mentioned in paragraphs (a), (b) or (c) each factor shall give rise to a separate entitlement to Free Shares related to the level of remuneration, length of service or hours worked (as the case may be) and the total entitlements shall be the sum of those separate entitlements.[2]

A.3 Performance Targets and Measures

34 A.3.1 Any appropriation of Free Shares which is made by reference to a performance measure or performance target pursuant to Paragraph A.2.1(e) must comply either with the requirements of Paragraph A.3.2 (*Method One*) or the requirements of Paragraph A.3.3 (*Method Two*).

41 A.3.2 The requirements of this Paragraph A.3.2 (*Method One*) are that:

(a) at least twenty per cent. (20%) of the Free Shares of any class appropriated to an Eligible Employee on any occasion shall be appropriated without reference to performance and in accordance with the requirements of Paragraphs 9 and 41(3) and (4) of Schedule 2 to the Act (*same terms*); and

(b) the Free Shares which are not appropriated in accordance with (a) shall be appropriated by reference to performance; and

(c) the greatest number of Free Shares appropriated to any Eligible Employee on any occasion by reference to performance shall not be more than four times greater than the greatest number of Free Shares of the same class appropriated to any Eligible Employee on that occasion by reference to factors which are not performance related.

42 A.3.3 The requirements of this Paragraph A.3.3 (*Method Two*) are that:

(a) some or all of the Free Shares must be appropriated by reference to performance; and

(b) the appropriation of Free Shares to Eligible Employees within a Unit shall be in accordance with the requirements of Paragraphs 9 42(4) of Schedule 2 to the Act (*same terms*).

A.3.4 An Eligible Employee may not be a member of more than one Unit in any Participating Company in respect of any Plan Year.

40 A.3.5 The Company must notify as soon as reasonably practicable:

(a) each Eligible Employee to whom Free Shares may be appropriated in respect of a Performance Period of any performance targets and measures which will be used to determine the number or value of Free Shares appropriated to him in respect of that Performance Period; and

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[2] There is flexibility to decide the basis on which shares will be allocated to individuals. Where different measures are applied to different units they must be comparable in terms of the likelihood, and extent to, which they can be achieved.

(b) all Eligible Employees of the Company and of any Participating Company in general terms of the performance measures to be used to determine the number or value of Free Shares to be appropriated to each individual

PROVIDED THAT in respect of paragraph (b) above the Company shall not be required to include in such notification any information which the Board reasonably considers would prejudice the confidentiality of commercially sensitive information.

A.4 Appropriation of Free Shares

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14(2), (3), (4)

A.4.1 An individual shall not be eligible to have an appropriation of Free Shares if at the date of such appropriation he is not an Eligible Employee.

A.4.2 The aggregate of the Appropriation Values of all Free Shares which may be allocated to any Participant in any Tax Year shall not exceed £3,000 or such other amount as may from time to time be permitted by Schedule 2 to the Act.

A.4.3 Any appropriation of Free Shares shall be made within 90 days of any relevant Announcement Date, save where the Board resolves to make an appropriation at a different time.

A.4.4 Where the Trustees appropriate Free Shares a proportion of which rank for any dividend or other distribution or other rights attaching to Shares by reference to a record date preceding the relevant Appropriation Day and a proportion of which do not, then the Free Shares to be appropriated to each Eligible Employee shall as far as practicable be in the same proportions thereto.

A.5 Forfeiture of Free Shares

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96, 97

A.5.1 Free Shares may be appropriated to a Participant on terms that the Participant shall cease to be beneficially entitled to such Free Shares if within the specified Forfeiture Period applicable to that appropriation of Free Shares he:

(a) (i) directs the Trustees to transfer the Free Shares to himself or another person; or

(ii) assigns, charges or otherwise disposes of his beneficial interest in such Free Shares; or

(iii) directs the Trustees to dispose of the Free Shares and to account to himself or another person for the proceeds of sale; or

(b) ceases to be in Relevant Employment for any reason other than one mentioned in paragraph A.5.2(i) to (vi) below.

95(2)

A.5.2 The reasons referred to in Paragraph A.5.1 are:

498

(i) injury or disability;

(ii) redundancy within the meaning of the Employment Rights Act 1996 or the Employment Rights (Northern Ireland) Order 1996;

(iii) a transfer of an undertaking or part of an undertaking to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 apply;

(iv) a change of Control or other circumstances ending the Associated Company status of the company by which the Participant is employed;

(v) retiring on or after reaching the Specified Age; or

(vi) death.

32(3), (4)

A.5.3 Any terms for forfeiture of Free Shares may not be linked to the performance of any person or persons, and shall apply in relation to all Free Shares appropriated to Eligible Employees on the same occasion.

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A.6 Ceasing to be in Relevant Employment

A.6.1 For the purposes of this Appendix A a Participant shall not be treated as ceasing to be in Relevant Employment if he remains in the employment of the Company or any Associated Company.

APPENDIX B

PARTNERSHIP SHARES

B.1 The Partnership Share Agreement

B.1.1 Whenever the Board resolves that Partnership Shares may be acquired on behalf of Eligible Employees out of deductions from their Salary in accordance with Rule 1.2 of Schedule 1, the provisions of this Appendix B shall apply.

44 B.1.2 The Company shall procure the issue to all Eligible Employees of a letter of invitation and a Partnership Share Agreement in the form of Schedule 4 (or in such other form as may be agreed with HMRC) by which the Company shall invite each Eligible Employee on the same terms to apply to acquire Partnership Shares by entering into and returning the Partnership Share Agreement duly completed by such date as shall be specified in the letter of invitation.

44(1) B.1.3 Under the Partnership Share Agreement the relevant Eligible Employee shall agree with the Company and the Trustees to allocate part of his Salary for the purchase of Partnership Shares and the Company shall agree to arrange the acquisition of Partnership Shares on behalf of the Eligible Employee in accordance with the rules of the Plan.

45 B.1.4 Partnership Shares shall be acquired with monies deducted from an Eligible Employee's Salary at such intervals and in such amounts or percentages as shall be specified in the Partnership Share Agreement or such other intervals, amounts or percentages as may be agreed between the Company and the Eligible Employee from time to time but which shall be subject to the provisions of paragraphs B.2 and B.3.

51(5) B.1.5 If the Board has determined that an Accumulation Period shall apply in respect of any acquisition of Partnership Shares and a Reconstruction occurs during that Accumulation Period which results in New Shares being issued/allocated in place of the Partnership Shares, the Partnership Share Agreement shall provide that if the Participant consents, it shall have effect after the Reconstruction as if it were an agreement for the purchase of Shares which are New Shares.

53(1) B.1.6 The Board may specify the maximum number of Partnership Shares which may be acquired on a Participant's behalf [or in aggregate for all Participants] on any occasion or in respect of any Accumulation Period and the Board shall specify the Holding Period applicable to any Dividend Shares.

53(3), (4) B.1.7 The Partnership Share Agreement shall contain an undertaking by the Company to notify an Eligible Employee of any restriction specified pursuant to Rule B.1.6 on the number of Shares which may be acquired which notification shall be given:

(a) if there is no Accumulation Period, before any deduction of monies is made from Salary; and

(b) if there is an Accumulation Period, before the beginning of the Accumulation Period relating to the Partnership Shares.

60(1) B.1.8 If pursuant to Rule 1.3 of Schedule 1 the Company determines in respect of any acquisition of Partnership Shares that Matching Shares shall be offered, the Partnership Share Agreement shall specify:

(a) the ratio of Matching Shares to Partnership Shares offered by the Company; and

(b) the circumstances (if any) and manner in which the ratio may be changed by the Company before the related Partnership Shares are acquired.

48 B.1.9 The Company may not enter into a Partnership Share Agreement with an Eligible Employee unless the agreement contains a notice as required by Paragraph 48 of Schedule 2 to the Act in the form prescribed by regulations containing information as to the possible effect of deductions on an employee's entitlement to social security benefits, statutory sick pay and statutory maternity pay.

B.1.10 The Partnership Share Agreement shall bind the relevant Eligible Employee in contract with the Company to permit any Dividend Shares to be held as described in paragraphs A.1.5(a) and (b) of Appendix A.

47 **B.2 Limits on Partnership Share Monies**

B.2.1 The minimum amount which may be deducted from an Eligible Employee's Salary and whether a particular description of earnings is not to be regarded as forming part of an Eligible Employee's Salary for this purpose shall be determined by the Board and specified in the Partnership Share Agreement and shall be the same for all Eligible Employees but shall not be greater than £10 (or such other minimum amount as may be prescribed from time to time by Paragraph 47 of Schedule 2 to the Act) in any calendar month (irrespective of the intervals at which the Eligible Employee is paid).

46, 53 B.2.2 The maximum amount which may be deducted from an Eligible Employee's Salary shall be determined by the Board and specified in the Partnership Share Agreement and shall be the same for all Eligible Employees but shall not be greater than:

(a) in the case where an Accumulation Period does not apply, 10% of the Salary for the Tax Year from which the deduction is made for any Tax Year but not exceeding £1,500 in any Tax Year; and

(b) if an Accumulation Period does apply, 10% of the total of the Salary payments for the Tax Year made to the Eligible Employee during the Accumulation Period but not exceeding £1,500 in any Tax Year.

In this paragraph B.2.2 references to any percentage or amount shall be construed as references to any maximum percentage or amount (as the case may be) which may be permitted from time to time by Paragraph 46 of Schedule 2 to the Act.

46(5) B.2.3 Any amount deducted from an Eligible Employee's Salary in excess of the limits referred to in paragraph B.2.2 or such other lower limit as is specified in the Partnership Share Agreement shall be paid to the Eligible Employee as soon as practicable.

B.2.4 For the avoidance of doubt, where an amount has been deducted from Salary and Shares have been acquired on behalf of the Eligible Employee, and the Eligible Employee thereafter ceases to hold Relevant Employment in the same Tax Year, if the amount deducted from Salary exceeds the limits referred to in paragraph B.2.2 or such other lower limit as is specified in the Partnership Share Agreement for the Tax Year in which the Relevant Employment terminates then:

(a) the Shares acquired with the amount deducted from an Eligible Employee's Salary in excess of the limits referred to in paragraph B.2.2 (***the Excess Partnership Shares***) will not constitute Plan Shares;

(b) subject to paragraph B.2.4(c), the Trustees may, if the Eligible Employee so directs, dispose of all of the Eligible Employee's Excess Partnership Shares held by them and account (or hold themselves ready to account) for the proceeds of sale to the Eligible Employee (or any other person the Eligible Employee so directs) or transfer to the Eligible Employee (or any other person whom the Eligible Employee so directs) all the Eligible Employee's Excess Partnership Shares;

(c) the Trustees may dispose of some of the Excess Partnership Shares or accept a sum from the Eligible Employee in order to enable them to pay to the Employer Company an amount sufficient to enable the Employer Company to satisfy any income tax and national insurance contributions obligations.

B.2.5 Any money deducted from an Eligible Employee's Salary to acquire Partnership Shares shall, subject to paragraphs B.2.3 and B.3, be paid to the Trustees as soon as practicable and held by the Trustees on behalf of that Eligible Employee until it is applied by the Trustees in acquiring Partnership Shares on the Eligible Employee's behalf.

49(3) B.2.6 The Trustees shall keep any money which they are required to hold pursuant to Paragraph B.2.5 in an account (which may or may not be interest bearing) with:

(a) a person falling within Section 840A(1)(b) of the Taxes Act;

(b) a building society; or

(c) a firm falling within Section 840A(1)(c) of the Taxes Act.

49(4) B.2.7 If monies deducted from Salary and held on an Eligible Employee's behalf are held in an interest bearing account the Trustees must account to the Eligible Employee for that interest.

B.3 Acquisition of Partnership Shares

14 B.3.1 An individual shall not be eligible to have Partnership Shares acquired on his behalf unless:

(a) if there is no Accumulation Period, he is an Eligible Employee at the time the monies for that acquisition are deducted from his Salary; or

(b) if there is an Accumulation Period, he is an Eligible Employee at the time the monies for that acquisition are first deducted from his Salary.

Where no Accumulation Period Applies

B.3.2 If no Accumulation Period applies to any particular acquisition of Partnership Shares, the provisions of paragraphs B.3.3, B.3.4 and B.3.5 shall apply.

50(1), (4) B.3.3 Amounts deducted from Salary shall be applied in the acquisition of Partnership Shares on a date set by the Trustees in relation to the relevant award of Partnership Shares, which shall be within thirty days after the last date on which the amounts to be applied in acquiring the Partnership Shares are deducted from the Participant's Salary.[3]

50(2), (3) B.3.4 Subject to any scaling down pursuant to paragraph B.3.12 below, the number of Partnership Shares acquired on behalf of a Participant shall be determined by reference to the Market Value of the Shares on the date referred to in paragraph B.3.3 above.

50(5) B.3.5 If any monies deducted from a Participant's Salary cannot be applied in the acquisition of Partnership Shares, the surplus may, if the Partnership Share Agreement so provides, be carried forward and added to the amount of the next deduction from Salary and applied in the next acquisition of Partnership Shares, and otherwise shall be paid to the Participant as soon as practicable.

Where an Accumulation Period applies

52(3), (5) B.3.6 If an Accumulation Period applies to any particular acquisition of Partnership Shares the provisions of paragraphs B.3.7 to B.3.9 shall apply.

52(2), (5) B.3.7 Amounts deducted from Salary shall be applied in the acquisition of Partnership Shares on a date set by the Trustees in relation to that acquisition of Partnership Shares, which shall be within thirty days after the end of the Accumulation Period relating to that acquisition of Partnership Shares.

52(3), (4) B.3.8 Subject to any scaling down pursuant to paragraph B.3.12 below, the number of Partnership Shares acquired on behalf of a Participant shall be determined by reference to the lower of:

(a) the Market Value of the Shares at the beginning of the Accumulation Period; and

(b) the Market Value of the Shares on the date referred to in paragraph B.3.7 above.

52(6) B.3.9 If any monies deducted from a Participant's Salary during an Accumulation Period cannot be applied in the acquisition of Partnership Shares the surplus may, if the Partnership Share Agreement so provides, be carried forward and used in the next acquisition of Partnership Shares on behalf of that Participant, and otherwise shall be paid to the Participant as soon as practicable.

52(7) B.3.10 If a Participant ceases to be in Relevant Employment during an Accumulation Period, any monies deducted from his salary during that period, shall be paid to the Participant as soon as practicable after he so ceases.

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[3] Where a company has both monthly paid employees and weekly paid employees, the relevant deduction date may differ slightly. HMRC accept that the thirty day period can commence from the later deduction date.

52(8) B.3.11 If the Partnership Share Agreement provides that an Accumulation Period comes to an end on the occurrence of a specified event, any monies deducted from a Participant's Salary during that period shall be paid to the Participant as soon as practicable.

Scaling Down

53(5) B.3.12 If applications to acquire Partnership Shares would, if they were satisfied in full, result in any maximum specified pursuant to Rule B.1.6 being exceeded, the number of Partnership Shares applied for by each Eligible Employee shall be reduced proportionately to the extent necessary to eliminate the excess and each application shall be treated as varied accordingly.

B.4 Stopping and Restarting Deductions

54 B.4.1 A Participant may at any time by notice to the Company request that no further deductions be made from his Salary pursuant to a Partnership Share Agreement. The Company shall stop deductions within 30 days of the receipt of any such notice or on such later date as the Participant may specify in the notice.

B.4.2 A Participant may at any time give notice to the Company that he wishes to re-start deductions from his Salary. The Company must restart deductions under the Partnership Share Agreement not later than the date of the first deduction under the Partnership Share Agreement which is due more than 30 days after receipt of the Participant's notice to restart making deductions. If a Participant stops making deductions from Salary and then re-starts, he may not make up any missed deductions from Salary.

B.4.3 Where an Accumulation Period applies, a Participant may not give more than one notice to restart deductions in any one Accumulation Period.

B.5 Withdrawal from Plan

55 B.5.1 A Participant may at any time by notice to the Company withdraw from a Partnership Share Agreement in which case no further Partnership Shares shall be acquired on his behalf pursuant to that Partnership Share Agreement, no further deduction shall be made from his Salary and any monies held on his behalf to acquire Partnership Shares shall be paid to him as soon as practicable. Unless a later date is specified in the notice, the notice shall be treated as taking effect 30 days after it is received by the Company.

B.6 Access to Partnership Shares

57 96, 97 B.6.1 A Participant may at any time after Partnership Shares have been acquired on his behalf:

(a) direct the Trustees to transfer all or any of the Partnership Shares to himself or another person; or

(b) assign, charge or otherwise dispose of his beneficial interest in all or any of the Partnership Shares; or

(c) direct the Trustees to dispose of all or any of the Partnership Shares and account to himself or another person for the proceeds of sale.

B.7 General

56 B.7.1 If approval of the Plan is withdrawn at any time pursuant to Paragraph 83 of Schedule 2 to the Act, or a plan termination notice is issued in respect of the Plan pursuant to Paragraph 89 of Schedule 2 to the Act, any monies held on a Participant's behalf to acquire Partnership Shares shall be paid to the Participant as soon as practicable after notice of the withdrawal is given to the Company or after the plan termination notice is notified to the Trustees (as the case may be).

B.7.2 Stamp duty chargeable on any instruments of transfer entered into pursuant to any acquisition of Partnership Shares and any other related costs of such acquisition shall be borne by the Company.

APPENDIX C

MATCHING SHARES

C.1 Appropriations of Matching Shares

C.1.1 Whenever the Board resolves that Matching Shares may be offered for appropriation to Eligible Employees in accordance with Rule 1.3 of Schedule 1, the provisions of this Appendix C shall apply.

60 C.1.2 The ratio of Matching Shares to Partnership Shares which shall be offered in respect of any acquisition of Partnership Shares shall be determined by the Board, offered to all Eligible Employees on the same terms and shall be specified in the Partnership Share Agreement governing the acquisition of the relevant Partnership Shares. The ratio shall not be greater than two Matching Shares for every one Partnership Share acquired or such other ratio as may be permitted from time to time by Paragraph 60 of Schedule 2 to the Act.

60(1)(b), (3) C.1.3 The Company may determine that the ratio of Matching Shares to Partnership Shares may be altered by the Company in certain circumstances prior to the acquisition of the related Partnership Shares and if it does so, the Partnership Share Agreement shall specify the circumstances and the manner in which the ratio may be changed.

61, 36 C.1.4 The Company, shall, in respect of each appropriation of Matching Shares specify a Holding Period applicable to those Matching Shares which shall be stated in the Partnership Share Agreement relating to the Partnership Shares to which the Matching Shares relate and which, once specified, may not be increased in respect of that appropriation.

C.1.5 The Company may in respect of each appropriation of Matching Shares specify a Forfeiture Period applicable to those Matching Shares which must be the same for all Matching Shares appropriated to Eligible Employees on that occasion.

61, 37 C.1.6 The Partnership Share Agreement relating to the Partnership Shares to which the Matching Shares relate shall bind the relevant Eligible Employee in contract with the Company in consideration of the appropriation to him of the Matching Shares:

(a) to permit all Matching Shares appropriated to him to remain in the hands of the Trustees throughout the applicable Holding Period or, if earlier, until he ceases to be in Relevant Employment; and

(b) not to assign, charge or otherwise dispose of his beneficial interest in any Matching Shares during the applicable Holding Period or, if earlier, until he ceases to be in Relevant Employment; and

(c) if he directs the Trustees to transfer the legal title of any Matching Shares to him or any other person at any time before the end of the applicable Holding Period and the applicable Forfeiture Period has ceased, to agree to the Trustees disposing of any of a Participant's Shares in order to enable the Trustees to pay to the Employer Company an amount sufficient to enable the Employer Company to satisfy any obligation in accordance with Sections 509 to 514 of the Act unless he pays to the Trustees a sum equal to the amount of such obligation.

PROVIDED THAT no Participant by virtue of the signature or execution of a contract of participation shall be precluded from directing the Trustees to dispose of his Matching Shares in the event of a Reconstruction or a Takeover affecting his Matching Shares.

14 C.1.7 An individual shall not be eligible to have an appropriation of Matching Shares unless:

(a) if there is no Accumulation Period, he is an Eligible Employee at the time the monies for the acquisition of the Partnership Shares to which the Matching Shares relate are deducted from his Salary; or

(b) if there is an Accumulation Period, he is an Eligible Employee at the time the first deduction for the acquisition of the Partnership Shares to which the Matching Shares relate is made from his Salary.

59(1)(b) C.1.8 Matching Shares shall be appropriated to a Participant on the same date as the Partnership Shares to which they relate are acquired on behalf of the Participant.

59(1)(c) C.1.9 Matching Shares appropriated on a day shall be appropriated to all Participants on whose behalf Partnership Shares have been acquired on that day on the same basis.

60(2) C.1.10 The number of Matching Shares to be appropriated to a Participant on any day shall be proportional to the number of Partnership Shares acquired on his behalf on that day and shall not exceed a ratio of two Matching Shares for every one Partnership Share.

C.2 Forfeiture of Matching Shares

32(1), 99 96, 97 C.2.1 Matching Shares may be appropriated to a Participant on terms that the Participant shall cease to be beneficially entitled to such Matching Shares if within the Forfeiture Period applicable to those Matching Shares he:

(a) (i) directs the Trustees to transfer the Partnership Shares to which the Matching Shares relate to himself or another person; or

(ii) assigns, charges or otherwise disposes of his beneficial interest in the Partnership Shares to which the Matching Shares relate; or

(iii) directs the Trustees to dispose of the Partnership Shares to which the Matching Shares relate and to account to himself or another person for the proceeds of sale; or

(b) (i) directs the trustees to transfer the Matching Shares to himself or another person; or

(ii) assigns, charges or otherwise disposes of his beneficial interest in the Matching Shares; or

(iii) directs the Trustees to sell the Matching Shares and to account to himself or another person for the proceeds of sale; or

(c) ceases to be in Relevant Employment for any reason other than one mentioned in paragraph A.5.2(i), (ii), (iii), (iv), (v), (vi) above .

32(3), (4) C.2.2 Any terms for forfeiture of Matching Shares may not be linked to the performance of any person or persons, and shall apply in relation to all Matching Shares appropriated to Eligible Employees on the same occasion.

95 **C.3 Ceasing to be in Relevant Employment**

C.3.1 For the purposes of this Appendix C a Participant shall not be treated as ceasing to be in Relevant Employment if he remains in the employment of the Company or any Associated Company.

SCHEDULE 2

LETTER OF INVITATION

To: [Participant]

Date:

The Directors of the Company invite you to participate in the Liberty Share Incentive Plan ("the Plan") with effect from [ ].

A copy of the explanatory booklet describing the Plan is enclosed and you are advised to read this carefully. A copy of the rules of the Plan may be obtained from [ ].

[Describe Accumulation Period, if any, for the Partnership Shares and the related Matching Shares ratio, and any awards of Free Shares.]

[Set out any performance measures/targets which are relevant.]

In order to participate in the Plan, you are required (pursuant to the terms of Chapter 6 of Part 7 of and Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 under which this Plan is approved by HMRC), to enter into an agreement with the Company in the terms of the enclosed Partnership Share Agreement [and Agreement for Free Shares] which should be returned to [ ] to arrive not later than [ ].

For and on behalf of
[ ]

SCHEDULE 3

AGREEMENT FOR FREE SHARES

The Liberty Share Incentive Plan

Contract under Paragraph 36 of Schedule 2 to the Act

To: The Directors
[Company name and address]

Copy: The Trustees of the Plan

From: (Name) _____

(Residential Address) _____

_____

THIS AGREEMENT SHOULD BE SIGNED AND DATED AND RETURNED TO [ ] AT [ ] SO AS TO BE RECEIVED BY [*deadline*].

This Agreement applies to the invitation issued on [ ] to be awarded [ ] worth of Free Shares and is subject to the terms of the Liberty Share Incentive Plan (the *Plan*).

The definitions used in the Plan Rules apply in this Agreement for Free Shares save where the context otherwise requires.

1. I have received the Company's letter dated and the Explanatory Booklet explaining the Plan.

2. I accept the invitation to participate in the Plan and agree to be bound by the Rules of the Plan (including any amendments or additions which may subsequently be made thereto) and to accept the Free Shares on and subject to the terms of the Memorandum and Articles of Association of the Company.

3. [So long as I am eligible to participate in the Plan, and unless I shall have notified you to the contrary, I request and authorise you on each occasion that Free Shares are to be appropriated to me under the Plan, to appropriate my full entitlement].

4. [I request you to appropriate on the forthcoming Appropriation Day my full entitlement of Free Shares.]

5. In consideration of the right to participate and receive my Free Shares, I agree:

(a) throughout the Holding Period of [*state length*], and except as may be permitted in the event of a Reconstruction or Takeover or on my ceasing to be in Relevant Employment, to allow my Free Shares to remain in the hands of the Trustees without any assignment, charge or other disposal of my beneficial interest in such Free Shares;

(b) if I direct the Trustees to dispose of any of my Free Shares or to transfer the legal title to such Free Shares to me or any other person at any time before the end of the period of five years beginning with the date on which the Free Shares are appropriated to me, that the Trustees may dispose of any Plan Shares held by them on my behalf under the terms of the Plan in order to enable the Trustees to pay to my Employer Company an amount sufficient to enable my Employer Company to satisfy any obligations to deduct PAYE in accordance with Sections 509 to 514 of the Act in respect of my Free Shares unless I pay to the Trustees a sum equal to the amount of such obligation.

6. [I agree that all dividends paid on my Free Shares up to £1,500 in each tax year will be invested by the Trustees in acquiring more shares ***(Dividend Shares)*** in accordance with the Rules of the Plan.]

7. [I agree that all dividends paid on my Free Shares will be paid to me by the Trustees.]

8. [I agree that any Dividend Shares shall remain in the hands of the Trustees without any assignment, charge or other disposal of my beneficial interest in such Dividend Shares throughout the three year Holding Period.]

9. I acknowledge that:

(a) my participation in the Plan does not affect my rights, entitlements and obligations under my contract of employment, and does not give me any rights or additional rights to compensation or damages if my employment ceases;

(b) I may ask the Trustees to transfer or sell my Free Shares [and Dividend Shares] at any time after the end of the Holding Period, but I may have to pay income tax and National Insurance Contributions when they are taken out of the Plan;

(c) if I take my Free Shares [or Dividend Shares] out of the Plan, I may pay the Trustees a sum to cover any income tax or National Insurance Contributions instead of them selling some or all of my Shares;

(d) if there is a rights issue, the Trustees may sell some of the rights attached to my Free Shares [and Dividend Shares] in the Plan, in order that they can exercise the rights attached to other Shares held on my behalf in the Plan;

(e) I can at any time withdraw from this Agreement, by advising the Company in writing or by electronic means specified by the Company;

(f) withdrawal from this agreement will not affect the terms on which I agreed to accept any Shares that have already been awarded to or bought for me under the terms of the Plan;

(g) my obligations during the Holding Period will end:

(i) if I cease to be in Relevant Employment, [and I understand that this may lead to forfeiture of my Free Shares]; or

(ii) if the Company terminates the Plan and I have consented to the transfer to me of my Free Shares and Dividend Shares; and

(h) [I will forfeit my Free Shares if I cease to be in Relevant Employment within [*insert time not exceeding 3 years*] from the date of the Award, unless the employment ceases for one of the following reasons:

(i) injury or disability;

(ii) redundancy;

(iii) transfer of employment to which the Transfer of Undertakings (Protection of Employment) Regulations 1981 apply;

(iv) a change of Control or other circumstances ending the Associated Company status of the Company by which I am employed;

(v) retirement on or after reaching the Specified Age; or

(vi) death.]

(i) Any cash dividends over £1,500 in each tax year will be paid to me and any amount below £1,500 not used to buy Dividend Shares shall be carried forward and added to the next cash dividend to be reinvested.

10. I undertake to notify the Trustees of any change in my residential address.

Signed _____

Date _____

Note: This form should be returned before [ ] to [ ].

SCHEDULE 4

PARTNERSHIP SHARE AGREEMENT

THE LIBERTY SHARE INCENTIVE PLAN

Contract under Paragraph 44 of Schedule 2 to the Act

To: The Directors
[Company name and address]

Copy:The Trustees of the Plan

From: (Name) _____

(Residential Address) _____

_____

THIS AGREEMENT SHOULD BE SIGNED AND DATED AND RETURNED TO [ ] AT [ ] SO AS TO BE RECEIVED BY [*deadline*].

This Agreement applies to the invitation to apply to acquire an award of Partnership Shares [and Matching Shares] issued on [ ].

The definitions used in the Plan Rules apply in this Agreement for Partnership Shares [and Matching Shares] save where the context otherwise requires.

1. I have received the Company's letter dated [ ] and the Explanatory Booklet explaining the Liberty Share Incentive Plan (the ***Plan***).

2. I accept the offer to acquire Partnership Shares and agree to be bound by the Rules (including any amendments or additions which may subsequently be made thereto).

3. I agree that £[ ] (insert amount between [£*10*] and [£*125*] and not more than 10% of pay) shall be deducted from my Salary [every month] but the total amounts deducted will not exceed £1 500 in any Tax Year to be applied by the Trustees in acquiring Partnership Shares on my behalf.[4]

4. [If there is an Accumulation Period . . . . . .

I agree that the deductions from my Salary will be accumulated by the Trustees between *[beginning of accumulation period]* and *[end of accumulation period]* and that the Trustees will acquire Partnership Shares in the Company on my behalf on the day which is *[not more than 30]* days after the end of the Accumulation Period.] I agree that any deductions from my Salary which cannot be used to buy Partnership Shares will be [repaid to me after the deduction of any necessary income tax or National Insurance Contributions]/[carried forward and added to the next Accumulation Period but if no such Accumulation Period then follows they will be repaid to me after the deduction of any necessary income tax or National Insurance Contributions].

[If no Accumulation Period . . . . . .

I agree that the deductions from my Salary will be applied by the Trustees in acquiring Partnership Shares in the Company on my behalf on the day which is [*not more than 30*] days after the deduction is made. I agree that any deductions from my Salary which cannot be used to buy Partnership Shares will be [repaid to me after the deduction of any necessary income tax and National Insurance Contributions]/[carried forward and added to the next Salary deduction but if no such Salary deduction then follows they will be repaid to me after the deduction of any necessary income tax and National Insurance Contributions].

[4] It is possible to specify the amount to be deducted as a percentage, subject to the 10% limit. Care needs to be taken with employees who are paid on a commission basis.

5. [I agree to accept [ ] Matching Shares awarded to me under the Plan for every [ ] acquired on my behalf.]

6. [In consideration of the right to receive Matching Shares I agree:

(a) throughout the Holding Period of [*state length*], and except as may be permitted in the event of a Reconstruction or Takeover or on my ceasing to be in Relevant Employment, to allow my Matching Shares to remain in the hands of the Trustees without any assignment, charge or other disposal of my beneficial interest in such Matching Shares; and

(b) if I direct the Trustees to dispose of any of my Matching Shares or to transfer the legal title to such Matching Shares to me or any other person at any time before the end of the period of five years beginning with the date on which the Matching Shares are awarded to me, that the Trustees may dispose of any Shares held by them on my behalf under the Plan in order to enable the Trustees to discharge any obligations they may have to deduct PAYE and National Insurance Contributions in respect of my Matching Shares unless I pay to the Trustees a sum equal to the amount of such obligation.]

7. [I agree that all dividends paid on my Partnership Shares [and Matching Shares] up to £1,500 in each tax year will be invested by the Trustees in acquiring more Shares ***(Dividend Shares)*** in accordance with the Rules of the Plan.]

8. [I agree that all dividends paid on my Partnership Shares [and Matching Shares] will be paid to me by the Trustees.]

9. [To the extent that I choose to have the dividends paid on my Partnership Shares [and Matching Shares] invested in Dividend Shares, I agree that any Dividend Shares shall remain in the hands of the Trustees without any assignment, charge or other disposal of my beneficial interest in such Dividend Shares throughout the three year Holding Period.]

10. The Company agrees to arrange for Partnership Shares to be bought and awarded to me in accordance with the Rules of the Plan.

11. [The Company agrees to award to me [ ] Matching Shares for every [ ] Partnership Shares acquired pursuant to this Agreement in accordance with the Rules of the Plan and undertakes to notify me if such ratio changes before the Partnership Shares are bought [and to notify me of any restriction on the number of Partnership Shares that may be awarded.]]

12. I acknowledge that:

(a) taking part in the Plan does not affect my rights, entitlements and obligations under my contract of employment, and does not give me any rights or additional rights to compensation or damages if my employment ceases;

(b) [a maximum of [ ] Partnership Shares may be acquired by Eligible Employees and if applications for Partnership Shares exceed this limit, my deductions from Salary and the number of Partnership Shares I may acquire may be scaled down in accordance with the Rules of the Plan to the extent necessary to eliminate any excess;]

(c) I may stop and restart deductions from my Salary at any time by written notice to the Company [but I may restart deductions only once in an Accumulation Period] and I may not make up any missed deductions;

(d) I may ask the Trustees to transfer or sell my Partnership Shares at any time [and my Matching Shares at any time after the end of the Holding Period], but I may have to pay income tax and National Insurance Contributions when they are taken out of the Plan;

(e) if I take my Partnership Shares [or my Matching Shares] out of the Plan I may pay the Trustees a sum to cover any income tax and National Insurance contributions instead of them selling some or all of my Shares;

(f) if there is a rights issue, the Trustees may sell some of the rights attached to my Partnership Shares[, Matching Shares] [and Dividend Shares] in the Plan, in order to fund the exercise of the rights attached to other Shares held on my behalf in the Plan;

(g) I can at any time withdraw from this agreement by advising the Company in writing. Any unused deductions from my Salary will be returned to me after the deduction of any necessary income tax or National Insurance Contributions;

(h) withdrawal from this Agreement will not affect the terms on which I agreed to buy Shares [or agreed to accept shares] already held for me under the Plan;

Accumulation Period

(i) the Accumulation Period shall come to an end when [*specify nature of event(s)*], but this agreement shall continue until terminated by any party giving notice to the others;

Matching Shares

(j) the ratio of Matching Shares to Partnership Shares is *[insert ratio — not more than 2:1]* and may be varied by the Company. The circumstances and manner in which the ratio may be varied are *[specify details];*

(k) if the ratio varies, the Company will notify me before the Partnership Shares are acquired for me;

(l) [I will lose my Matching Shares if:

(i) I cease to be in Relevant Employment; or

(ii) I withdraw the Partnership Shares in respect of which the Matching Shares were awarded

(*either or both of these options may be specified*) within [*insert time not exceeding 3 years*] from the date of the Award, unless the employment ceases for one of the following reasons:

(A) injury or disability;

(B) redundancy;

(C) transfer of employment to which the Transfer of Undertaking (Protection of Employment) Regulations 2006 apply;

(D) a change of Control or other circumstances ending the Associated Company status of the Company by which I am employed;

(E) retirement on or after reaching the Specified Age; and

(F) death.]

Partnership Share money held by Trustees

(m) the Trustees are under no obligation to keep the deductions from my salary in any interest-bearing account, but if they do, they will pay the interest to me;

Dividend Reinvestment

(n) any cash dividend over £1,500 in each tax year will be paid to me and any amount below £1,500 not used to buy Dividend Shares shall be carried forward and added to the next cash dividend to be reinvested.

Holding Period: [Dividend and] Matching Shares

(o) that my obligations during the Holding Period will end:

(i) if I cease to be in Relevant Employment, and this may lead to forfeiture of my Matching Shares; or

(ii) if the Company terminates the Plan and I have consented to the transfer to me of my Matching Shares [and Dividend Shares].

Notice To Participant About Possible Effect On Benefits

Deductions from your pay to buy Partnership Shares under this Agreement may affect your entitlement to, or the level of, some contributory social security benefits, statutory maternity pay and statutory sick pay.

They may also have a similar effect in respect of some contributory social security benefits paid to your wife or husband.

With this agreement you should have been given information on the effect of deductions from your pay to buy Partnership Shares on entitlement to social security benefits, statutory sick pay and statutory maternity pay. The effect is particularly significant if your earnings are brought below the lower earnings limit for National Insurance purposes, and is explained in the information: it is therefore important that you read it. If you have not been given a copy, ask your employer for it. Otherwise a copy may be obtained from any office of HMRC, the Department for Works and Pensions, or, in Northern Ireland, the Department for Social Development. You should take the information you have been given into account in deciding whether to buy Partnership Shares.

Signed _____

Date _____

SCHEDULE 5

DEED OF ADHERENCE

THIS DEED is made this day of [ ] 200[ ]

BETWEEN

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY, a Cayman Islands exempted company (c/o Maples Corporate Service Limited, P.O.Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands ***(the Company)*****; and**

[ ] of [ ] (*the Trustees); and [NEW SUBSIDIARY] whose registered office is at [ ],*

and is supplemental to a Trust Deed (the *Trust Deed*) of the [ ] Share Incentive Plan (the *Plan*) executed by the Company and the Trustees on [ ].

WHEREAS:

[New Subsidiary] wishes to become a Participating Company and to invite its Eligible Employees to participate in the Plan.

NOW THIS DEED WITNESSETH as follows:

1. Terms and expressions used in this Deed of Adherence shall bear unless the context otherwise requires the same meaning as in the Trust Deed.

2. [New Subsidiary] agrees to become a Participating Company and to be bound by the terms of the Trust Deed and Rules of the Plan.

3. This Deed of Adherence may be executed in any number of counterparts and by the parties to it in separate counterparts, each of which shall be an original, but all of which together shall constitute one and the same document.

IN WITNESS whereof these presents have been entered into the day and year first above written.

EXECUTED and **DELIVERED** as a)
DEED by)
LIBERTY ACQUISITION HOLDINGS)
(INTERNATIONAL) COMPANY)
acting by [ ])
a duly authorised signatory)

Name of witness:

Address of witness:

Signature of witness:

EXECUTED and **DELIVERED** as a)
DEED under the **COMMON SEAL** of)
[NEW SUBSIDIARY] in the presence of:)

Director

Director/Secretary

EXECUTED and **DELIVERED** as a)
DEED under the **COMMON SEAL** of)
[THE TRUSTEES] in the presence of:)

Director

Director/Secretary

SCHEDULE 6

STATEMENT OF PLAN SHARES

[Name of Participant]

This statement gives information as at (date) of the shares in [ ] held on your behalf under the Liberty Share Incentive Plan.

FREE SHARES

Award Date	Number of Shares	Description of Shares	Market Value	Holding Period

PARTNERSHIP SHARES

Award Date	Deduction from Salary	Number of Shares	Market Value at Purchase
		£	£

MATCHING SHARES

Award Date	Number of Shares	Appropriation Value	Holding Period Ends
		£	

DIVIDEND SHARES

Purchase Date	Number of Shares	Market Value on Purchase	Holding Period	Cash Carried Forward
		£		£

[This statement should also detail events giving rise to income tax and National Insurance Contributions and any sales of shares to satisfy PAYE or National Insurance Contribution obligations.]

EXECUTED and **DELIVERED** as a	)
DEED by **LIBERTY ACQUISITION**	)
HOLDINGS (INTERNATIONAL)	)
COMPANY	)
acting by [ ]	)
a duly authorised signatory	)

Name of Witness

EXECUTED and **DELIVERED** as a	)
DEED under the **COMMON SEAL** of	)
[THE TRUSTEES] in the presence of:	)

Director

Director/Secretary

Annex I

FORM OF
AMENDED AND RESTATED PUBLIC WARRANT AGREEMENT

This Amended and Restated Warrant Agreement (this "Agreement") is made as of , 2009, by and between Liberty Acquisition Holdings (International) Company (formerly know as Liberty International Acquisition Company), an exempted Cayman Islands limited liability company, with an office at Bison Court, Road Town, Tortola, BVI, VG1110 (the "Company") and ABN AMRO Bank N.V., a company organized under the laws of The Netherlands and trading under the name "RBS" (the "Warrant Agent").

WHEREAS, (a) on February 5, 2008, the Company entered into a Warrant Agreement with the Warrant Agent (the "Original Warrant Agreement") and (b) on January 9, 2008, the Company entered into an Insider Warrant Agreement (the "Original Insider Warrant Agreement" and, together with the Original Warrant Agreement, the "Original Warrant Agreements") with its founders (the "Founders");

WHEREAS, in connection with the Original Warrant Agreement, the Company engaged in an initial public offering pursuant to which units ("Units"), each consisting of one ordinary share with a nominal value of €0.0001 per share, of the Company ("Ordinary Shares") and one warrant (a "Warrant"), each individual Warrant entitling the holder thereof to purchase one Ordinary Share for €7.00, were offered and sold to qualified institutional buyers pursuant to Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Act"), who were "qualified purchasers" (as such term is defined under Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended), and outside of the United States to non-U.S. persons pursuant to Regulation S ("Regulation S") under the Act (the "Offering") and, in connection therewith, issued and delivered a total of 60,000,000 underlying Warrants to investors;

WHEREAS, the Company listed the Units, Warrants and Ordinary Shares sold in the Offering on Euronext Amsterdam by NYSE Euronext ("Euronext Amsterdam"), the regulated market of Euronext Amsterdam N.V. ("Euronext") and therefore is subject to Dutch securities regulation and supervision by the Netherlands Authority for the Financial Markets *(Autoriteit Financiele Markten)*;

WHEREAS, in connection with the Original Insider Warrant Agreement, the Company engaged in a private offering of units, each consisting of one Ordinary Share and one warrant (a "Private Warrant" and, together with the Warrants, "Company Warrants"), each individual Private Warrant entitling the holder thereof to purchase one Ordinary Share for €7.00, to the Founders and, in connection therewith, issued and delivered a total of 23,000,000 underlying Private Warrants to the Founders;

WHEREAS, on June 27, 2009, the Company entered into (a) a Purchase Agreement (the "Pearl Purchase Agreement") with certain equity holders of Sun Capital Investments Limited, Jambright Limited, Suncap Parma Topco Limited, TDR Parma Topco Limited (collectively, "Pearl Group") and other parties thereto, pursuant to which the Company will acquire all of the outstanding equity interests of Pearl Group, and Pearl Group will become a wholly-owned subsidiary of the Company and (b) a Purchase Agreement (the "Opal Re Purchase Agreement"; and collectively with the Pearl Purchase Agreement the "Purchase Agreements") with the equity holders of Opal Reassurance Limited ("Opal Re") pursuant to which the company will acquire all of the outstanding equity interests of Opal Re and certain other securities and Opal Re will become a wholly-owned subsidiary of the Company (collectively, the "Acquisition");

WHEREAS, consummation of the Acquisition is conditioned on, among other conditions, the approval, in accordance with the relevant provisions of the Original Warrant Agreements, by persons holding outstanding Company Warrants as of June 27, 2009 (the "Record Date"), of amendments to the Original Warrant Agreements that would (a) permit the mandatory redemption, on a *pro rata* basis, of a total of 41,468,200 of the outstanding Company Warrants immediately upon the consummation of the Acquisition in exchange for 4,000,000 newly issued Ordinary Shares, at a ratio of one Ordinary Share for each 10.36705 Company Warrants redeemed (the "Mandatory Redemption"); (b) increase the exercise price of the Company Warrants that are not mandatorily redeemed from €7.00 to €11.00; and (c) amend the redemption provisions of the remaining Company Warrants to permit the Company to unilaterally redeem such remaining Company

Warrants if the Ordinary Shares issued in the Offering trade at or above €16.50 per share (from €13.75 per share) for 20 out of any 30 consecutive trading days (collectively, the "Amendments");

WHEREAS, persons holding outstanding Company Warrants as of the Record Date have approved, in accordance with the relevant provisions of the Original Warrant Agreements, the Amendments and the amendment and restatement of the Original Warrant Agreements to effect the Amendments;

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the Amendments;

WHEREAS, the Company desires to provide for the form and provisions of the Warrants, the terms upon which they shall be issued and exercised, the duties of the Warrant Agent and the respective rights, limitation of rights, and immunities of the Company, the Warrant Agent, and the holders of the Warrants;

WHEREAS, the Company's memorandum and articles of association, as amended, do not prohibit the issuance of the Warrants and the Company will maintain enough authorized Ordinary Shares for the exercise of the Warrants; and

WHEREAS, all acts and things have been done and performed, including all relevant corporate actions, which are necessary to authorize the execution and delivery of this Agreement and to make the Warrants, when executed by or on behalf of the Company and countersigned by or on behalf of the Warrant Agent, as provided herein, the valid, binding and legal obligations of the Company, and to authorize the execution and delivery of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

1. *Appointment of Warrant Agent.* The Company hereby appoints the Warrant Agent to act as agent for the Company for the Warrants, and the Warrant Agent hereby accepts such appointment and agrees to perform the same in accordance with the terms and conditions set forth in this Agreement.

2. *Warrants.*

2.1 *Form of Warrant.* Each Warrant has been issued in registered form initially held in the book-entry system of Euroclear Nederland *(Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.)* ("Euroclear" or the "Depository"). The Company may issue certificates in certain circumstances as described herein evidencing the Warrants (the "Certificates"). The Certificates shall be executed outside of the United Kingdom. The Certificates, if issued, will be in substantially the form of Exhibit A hereto, the provisions of which are incorporated herein and shall be signed by, or bear the facsimile signature of, one or more directors of the Company. In the event the person whose facsimile signature has been placed upon any Certificate shall have ceased to serve in the capacity in which such person signed the Certificate before such Certificate is issued, it may be issued with the same effect as if he or she had not ceased to be such at the date of issuance.

2.2 *Effect of Countersignature.* Unless and until signed by the Company and countersigned by the Warrant Agent pursuant to this Agreement, a Certificate shall be invalid and of no effect and may not be exercised by the holder thereof.

2.3 *Registration.*

2.3.1 *Warrant Register.* The Company or the Warrant Agent on its behalf shall maintain books (the "Warrant Register") for the registration of original issuance of Warrants and the registration of transfer of the Certificates. The Warrant Register will, at all times, be held and maintained outside of the United Kingdom. Upon the initial issuance of the Warrants, the Company or the Warrant Agent shall issue and register the Warrants in the names of the respective holders thereof in such denominations and otherwise in accordance with instructions by the Company. All of the Warrants have been initially be registered in the name of Euroclear. Ownership of beneficial interests in the Warrants registered in the name of Euroclear ("Book-Entry Warrants") shall be shown on, and the transfer of such ownership shall be effected through, records maintained by (i) the Depository or its nominee for each Book-Entry Warrant, or (ii) admitted institutions that have accounts with the Depository (such institution, with respect to a Book-Entry Warrant in its account, an

"Admitted Institution"). Unless the Board of Directors of the Company (the "Board") has decided otherwise, the delivery *(uitlevering)* to the relevant holder of Book-Entry Warrants forming part of a collective deposit *(verzameldepot)* or a book-entry deposit *(girodepot)*, in accordance with the procedure set forth in Article 26 of the Dutch Securities Giro Transfer Act *(Wet giraal effectenverkeer)*, shall not be permitted.

If the Depository subsequently ceases to make its book-entry settlement system available for the Warrants, including in the event that the Depository is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention to cease business or does so, the Company may instruct the Warrant Agent regarding making other arrangements for book-entry settlement. In the event that the Warrants are not eligible for, or it is no longer necessary to have the Warrants available in, book-entry form, the Warrant Agent shall provide written instructions to the Depository to deliver to the Warrant Agent for cancellation of each Book-Entry Warrant, and the Company shall instruct the Warrant Agent to deliver to the Depository definitive registered Warrants represented by certificates ("Definitive Registered Warrants" and together with the Certificates, the "Warrant Certificates" and each a "Warrant Certificate"). Such Definitive Registered Warrants shall be in the form annexed hereto as Exhibit A, with any appropriate insertions, modifications and omissions, as may be appropriate.

2.3.2 *Beneficial Owner; Registered Holder.* The term "beneficial owner" shall mean any person in whose name ownership of a beneficial interest in a Book-Entry Warrant is recorded in the records maintained by the Depository or its nominee or an Admitted Institution. Prior to due presentment for registration of transfer of any Warrant, the Company and the Warrant Agent may deem and treat the person or entity in whose name such Warrant shall be registered upon the Warrant Register ("Registered Holder"), as the absolute owner of such Warrant and of each Certificate representing such Warrant (notwithstanding any notation of ownership or other writing on a Certificate made by anyone other than the Company or the Warrant Agent), for the purpose of any exercise thereof, and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

2.4 *Detachability of Warrants.* The Ordinary Shares and the Warrants comprising the Units will not be separately transferable until the date that is the earlier to occur of (i) forty (40) days after the date the Units are admitted to trading and listing on Euronext Amsterdam (the "Admission Date") (or such earlier date determined by the Managers) and (ii) five (5) Business Days (as defined in Section 3.1 hereof) after the Over-allotment Option is exercised in full by the Managers (the "Detachment Date").

3. *Terms and Exercise of Warrants.*

3.1 *Warrant Price.* Each Warrant shall entitle the Registered Holder thereof, subject to the provisions of such Warrant and of this Agreement, to purchase from the Company the number of Ordinary Shares stated therein, at the price of €11.00 per whole Ordinary Share, subject to the adjustments provided in Section 4 hereof and in the last sentence of this Section 3.1. The term "Warrant Price" as used in this Agreement refers to the price at which one Ordinary Share may be purchased at the time a Warrant is exercised. The Company in its sole discretion may lower the Warrant Price at any time prior to the Expiration Date (as defined in Section 3.2 hereof) for a period of not less than ten (10) Business Days; *provided*, *however*, that any such reduction shall be identical in percentage terms among all of the Warrants; and *provided further* that the number of Ordinary Shares issuable on exercise of the Warrants will not be adjusted for issuances of shares at a price below the Warrant Price. "Business Day" shall be any day on which Euronext Amsterdam is open for trading.

3.2 *Duration of Warrants.* A Warrant may be exercised only during the period (the "Exercise Period") commencing on the later of the consummation by the Company of an acquisition by a merger, capital stock exchange, share purchase, asset acquisition reorganization or similar transaction (a "Business Combination") or the first anniversary of the Admission Date, and terminating at the close of trading on Euronext Amsterdam (5:30 p.m., Amsterdam (Central European) time) on the earlier to occur of (i) the first Business Day following the fifth anniversary of the date of the consummation by the Company of a Business Combination; (ii) the date fixed for redemption of the Warrants as provided in Section 6 of this Agreement ("Expiration Date"); or (iii) liquidation of the Company; *provided*, *however* that, the Warrants shall not be exercisable and the Company shall not be obligated to issue Ordinary Shares unless, at the time a holder seeks to exercise the

Warrants, the Ordinary Shares have been registered or qualified or deemed to be exempt under the securities laws of the jurisdiction of residence of the holder of the Warrants. Except with respect to the right to receive the Redemption Price (as set forth in Section 6 hereunder), each Warrant not exercised on or before the Expiration Date shall become void, and all rights thereunder and all rights in respect thereof under this Agreement shall cease at the close of business on the Expiration Date.

3.3 *Exercise of Warrants.*

3.3.1 *Payment.* Subject to the provisions of the Warrant and this Agreement, a Warrant may be exercised by the Registered Holder thereof (i) (a) in the case of Book-Entry Warrants, by instructing, not later than 5:30 P.M., Amsterdam (Central European) time, on any Business Day during the Exercise Period (the "Exercise Date"), the relevant Admitted Institution to deliver the Warrants to be exercised free on the records of the Depository to an account of the Warrant Agent designated for such purpose or (b) in the case of Warrant Certificates, by surrendering to the Warrant Agent at the office of the Warrant Agent, or at the office of its successor as Warrant Agent, in Amsterdam, The Netherlands, the Warrant Certificates evidencing the Warrants to be exercised, (ii) delivering (a) in the case of Book-Entry Warrants, by the Admitted Institution to the Warrant Agent, a notice specifying the Warrants to be exercised and the account to which the Ordinary Shares should be delivered (an "Electronic Exercise Notice") properly delivered by the Admitted Institution in accordance with the Depository's procedures or (b) in the case of Warrant Certificates, by a Registered Holder to the Warrant Agent, an election to purchase (an "Election to Purchase") in the form attached hereto as part of Exhibit A the Ordinary Shares underlying the Warrants to be exercised, properly completed and executed; and (iii) paying the Warrant Price for each full Ordinary Share as to which the Warrants are exercised; provided, however, that with respect to any outstanding Warrants, in the event the Company calls such Warrants for redemption, the Company shall have the option to require all (but not part) of the holders of those Warrants to exercise the Warrants on a cashless basis, in which case the holder of such Warrants shall pay the Warrant Price by surrendering such Warrants for that number of Ordinary Shares equal to the quotient obtained by dividing (x) the product of the number of Ordinary Shares underlying the Warrants, multiplied by the difference between the Warrant Price and the Redemption Fair Market Value (as defined in this Section 3.3.1) by (y) the Redemption Fair Market Value. The "Redemption Fair Market Value" shall mean the average reported last sale price of the Ordinary Shares for the ten (10) consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to holders of such Warrants.

(i) If any of (A) delivery of the Book-Entry Warrants to an account of the Warrant Agent or delivery of the Warrant Certificates to the Warrant Agent, (B) the Electronic Exercise Notice or the Election to Purchase, or (C) the Warrant Price therefor, is received by the Warrant Agent after 5:30 P.M., Amsterdam (Central European) time, on a specified day or if such day is not a Business Day, the Warrants will be deemed to be received and exercised on, and the applicable Exercise Date shall be the Business Day next succeeding such day. If the Warrants are received or deemed to be received after the Expiration Date, the exercise thereof will be null and void and any funds delivered to the Warrant Agent will be returned to the Registered Holder or Admitted Institution, as the case may be, as soon as practicable. In no event will interest accrue on funds deposited with the Warrant Agent in respect of an exercise or attempted exercise of Warrants. The validity of any exercise of Warrants will be determined by the Company in its sole discretion and such determination will be final and binding upon the Holder and the Warrant Agent. Neither the Company nor the Warrant Agent shall have any obligation to inform a Holder of the invalidity of any exercise of Warrants.

(ii) The Warrant Agent shall deposit all funds received by it in payment of the Warrant Price in the account of the Company for such purpose and shall advise the Company by electronic mail or by facsimile at the end of each Business Day on which funds for the exercise of the Warrants are received of the amount so deposited to its account.

(iii) The Warrant Agent shall, by 11:00 A.M. Amsterdam (Central European) time on the Business Day following the Exercise Date of any Warrant, advise the Company in respect of (a) the Ordinary Shares issuable upon such exercise as to the number of Warrants exercised in accordance with the terms and conditions of this Agreement, (b) in case of a Book-Entry Warrant, the notation that shall be made to the records maintained by the Depository, its nominee for each Book-Entry Warrant, or an Admitted Institution, as appropriate,

evidencing the balance, if any, of the Warrants remaining after such exercise, (c) the instructions of each Registered Holder or Admitted Institution, as the case may be, with respect to delivery of the Ordinary Shares issuable upon such exercise, and the delivery of Warrant Certificates, as appropriate, evidencing the balance, if any, of the Warrants remaining after such exercise and (d) such other information as the Company or such Warrant Agent, transfer agent and registrar shall reasonably require.

(iv) The Company shall, by 5:30 P.M., Amsterdam (Central European) time, on the third Business Day next succeeding the Exercise Date of any Warrant and the clearance of the funds in payment of the Warrant Price, execute, issue and deliver to the Warrant Agent, the Ordinary Shares to which such Registered Holder or Admitted Institution, as the case may be, is entitled, in fully registered form, registered in such name or names as may be directed by such Registered Holder or the Admitted Institution, as the case may be. Upon receipt of such Ordinary Shares, the Warrant Agent shall, by 5:30 P.M., Amsterdam (Central European) time, on the fifth Business Day next succeeding such Exercise Date, transmit such Ordinary Shares to or upon the order of the Registered Holder or Admitted Institution, as the case may be.

(v) In lieu of delivering certificates representing the Ordinary Shares issuable upon exercise, provided the Company's transfer agent has the facilities to do so, the Company shall use its reasonable efforts to cause its transfer agent to electronically transmit the Ordinary Shares issuable upon exercise to the Registered Holder or Admitted Institution by crediting the account of the Registered Holder's prime broker with the Depository or the Admitted Institution. The time periods for delivery described in the immediately preceding paragraph shall apply to the electronic transmittals described herein.

(vi) The accrual of dividends, if any, on the Ordinary Shares issued upon the valid exercise of any Warrant will be governed by the terms generally applicable to the Ordinary Shares. Starting with the Exercise Date, the former Holder of the Warrants exercised will be entitled to the benefits generally available to other holders of Ordinary Shares and such former Holder's right to receive payments of dividends and any other amounts payable in respect of the Ordinary Shares shall be governed by, and shall be subject to, the terms and provisions generally applicable to such Ordinary Shares.

(vii) Warrants may be exercised only in whole numbers of Ordinary Shares. No fractional Ordinary Shares are to be issued upon the exercise of the Warrant, but rather the number of Ordinary Shares to be issued shall be rounded down to the nearest whole number. If fewer than all the Book-Entry Warrants beneficially held by the holder are exercised, a notation shall be made to the records maintained by the Depository, its nominee for each Book-Entry Warrant, or the Admitted Institution, as appropriate, evidencing the balance of the Warrants remaining after such exercise. If fewer than all of the Warrants evidenced by a Warrant Certificate are exercised, a new Warrant Certificate for the number of unexercised Warrants remaining shall be executed by the Company and countersigned by the Warrant Agent as provided in Section 2 hereof, and delivered to the holder of this Warrant Certificate at the address specified on the books of the Company or Warrant Agent or as otherwise specified by such Registered Holder.

(viii) The Company will pay all documentary stamp or other taxes or governmental charge attributable to the initial issuance of Ordinary Shares upon the exercise of Warrants; *provided*, *however*, that the Company shall not be required to pay any stamp or other tax or governmental charge required to be paid in connection with any transfer involved in the issue of the Ordinary Shares in a name other than that of the Registered Holder of a Warrant Certificate surrendered upon the exercise of Warrants; and in the event that any such transfer is involved, the Company shall not be required to issue or deliver any Ordinary Shares until such tax or other charge shall have been paid or it has been established to the Company's satisfaction that no such tax or other charge is due.

(ix) Holders of Warrants are required, as a condition precedent to the exercise of any Warrants, to comply with any transfer restrictions applicable to the exercise of such Warrants, including those set forth in the section titled "Transfer Restrictions" included in the final offering circular dated January 25, 2008, issued by the Company in connection with the Offering.

3.3.2 *Issuance of Ordinary Shares Upon Exercise of Warrants.* Subject to Section 7.4 of this Agreement, and notwithstanding the foregoing, the Company shall not be obligated to deliver any Ordinary Shares

pursuant to the exercise of a Warrant unless (i) the Ordinary Shares have been registered or qualified or deemed to be exempt under the securities laws of the jurisdiction or state of residence of the holders of the Warrants, (ii) a registration statement under the Act with respect to the Ordinary Shares is effective or (iii) in the opinion of U.S. counsel to the Company, the exercise of the Warrants is exempt from the registration requirements of the Act and such Ordinary Shares are qualified for sale or exempt from qualification under applicable securities laws of jurisdictions in which the Registered Holders reside. Warrants may not be exercised by, or Ordinary Shares issued to, any Registered Holder in any state or other jurisdiction in which such exercise would be unlawful.

3.3.3 *Valid Issuance.* All Ordinary Shares issued upon the proper exercise of a Warrant in conformity with this Agreement shall be validly issued, fully paid and nonassessable.

3.3.4 *Date of Issuance.* Each person in whose name Ordinary Shares are issued shall become the Registered Holder of such Ordinary Shares on the date on which the register of members of the Company is updated, the Company taking reasonable actions to update the register of members on the same day the Warrant was surrendered and payment of the Warrant Price was made, irrespective of the date of delivery of such Ordinary Shares, except that, if the date of such surrender and payment is a date when register of members of the Company is closed, such person shall become the holder of such Ordinary Shares on the next succeeding date on which the register of members is open and updated. Notwithstanding the foregoing, the Company and the registrar (the "Registrar") for the Warrants and the Ordinary Shares shall use reasonable efforts to simultaneously update the Company's registers maintained by the Registrar in connection with any electronic settlement with the Depository of Ordinary Shares issued upon the exercise of Warrants.

3.4 *No Cash Settlement.* Notwithstanding anything to the contrary contained in this Agreement, under no circumstances will the Company be required to net cash settle the exercise of the Warrants. As a result, any or all of the Warrants may expire worthless.

4. *Adjustments.*

4.1 *Share Dividends; Sub-Divisions.* If after the date hereof, and subject to the provisions of Section 4.6, the number of issued and outstanding Ordinary Shares is increased by a share dividend payable in Ordinary Shares, or by a sub-division of Ordinary Shares, or other similar event, then, on the effective date of such share dividend, sub-division or similar event, the number of Ordinary Shares issuable on exercise of each Warrant shall be increased in proportion to such increase in outstanding Ordinary Shares.

4.2 *Aggregation of Shares.* If after the date hereof, and subject to the provisions of Section 4.6, the number of outstanding Ordinary Shares is decreased by a consolidation, combination, reverse share split or reclassification of Ordinary Shares or other similar event, then, on the effective date of such consolidation, combination, reverse share split, reclassification or similar event, the number of Ordinary Shares issuable on exercise of each Warrant shall be decreased in proportion to such decrease in outstanding Ordinary Shares.

4.3 *Adjustments in Warrant Price.* Whenever the number of Ordinary Shares purchasable upon the exercise of the Warrants is adjusted, as provided in Sections 4.1 and 4.2 above, each of the Warrant Price and the Floor Price shall be adjusted (to the nearest cent) by multiplying such Warrant Price and Floor Price, as the case may be, immediately prior to such adjustment by a fraction (x) the numerator of which shall be the number of Ordinary Shares purchasable upon the exercise of the Warrants immediately prior to such adjustment and (y) the denominator of which shall be the number of Ordinary Shares so purchasable immediately thereafter.

4.4 *Replacement of Securities upon Reorganization, etc.* In case of any reclassification or reorganization of the outstanding Ordinary Shares (other than a change covered by Section 4.1 or 4.2 hereof or that solely affects the nominal value of such Ordinary Shares), or in the case of any merger or consolidation of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Ordinary Shares), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Warrant holders shall thereafter have the right to purchase and receive, upon the

basis and upon the terms and conditions specified in the Warrants and in lieu of the Ordinary Shares of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, by a Warrant holder of the number of Ordinary Shares of the Company obtainable upon exercise of the Warrants immediately prior to such event; and if any reclassification also results in a change in Ordinary Shares covered by Sections 4.1 or 4.2, then such adjustment shall be made pursuant to Sections 4.1, 4.2, 4.3 and this Section 4.4. The provisions of this Section 4.4 shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

4.5 *Notices of Changes in Warrant.* Upon every adjustment of the Warrant Price or the number of Ordinary Shares issuable on exercise of a Warrant, the Company shall give written notice thereof to the Warrant Agent, which notice shall state the Warrant Price resulting from such adjustment and the increase or decrease, if any, in the number of Ordinary Shares purchasable at such price upon the exercise of a Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Upon the occurrence of any event specified in Sections 4.1, 4.2, 4.3 or 4.4, then, in any such event, the Company shall inform the holders of the Warrant of the record date or the effective date of such event in such other manner as may be required by any applicable rules, regulations and procedures. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such event.

4.6 *No Fractional Shares.* Notwithstanding any provision contained in this Agreement to the contrary, the Company shall not issue fractional Ordinary Shares upon exercise of Warrants. If, by reason of any adjustment made pursuant to this Section 4, the holder of any Warrant would be entitled, upon the exercise of such Warrant, to receive a fractional interest in a Ordinary Share, the Company shall, upon such exercise, round up to the nearest whole number the number of the Ordinary Shares to be issued to the Warrant holder.

4.7 *Form of Warrant.* The forms of Warrants need not be changed because of any adjustment pursuant to this Section 4, and Warrant Certificates, if any, issued after such adjustment may state the same Warrant Price and the same number of shares as what would have been stated in the Warrant Certificates if they would have been initially issued pursuant to this Agreement. However, the Company may at any time in its sole discretion make any change in the form of Warrant that it may deem appropriate and that does not affect the substance thereof, and any Warrant thereafter issued or countersigned, whether in exchange or substitution for an outstanding Warrant or otherwise, may be in the form as so changed.

4.8 *Notice of Certain Transactions.* In the event that, from and after the consummation of the transactions contemplated by the Purchase Agreements and all related transactions, the Company shall propose to (a) offer the holders of its Ordinary Shares rights to subscribe for or to purchase any securities convertible into Ordinary Shares or shares of any class or any other securities, rights or options, (b) issue any rights, options or warrants entitling the holders of Ordinary Shares to subscribe for Ordinary Shares or (c) make a tender offer, redemption offer or exchange offer with respect to the Ordinary Shares, the Company shall send to the Warrant holders a notice of such proposed action or offer and make a public announcement of such proposed action or offer to the extent required by any applicable rules or regulations. Such notice shall be mailed to the Registered Holders at their addresses as they appear in the Warrant Register, which shall specify the record date for the purposes of such dividend, distribution or rights, or the date such issuance or event is to take place and the date of participation therein by the holders of Ordinary Shares, if any such date is to be fixed, and shall briefly indicate the effect of such action on the Ordinary Shares and on the number and kind of any other shares and on other property, if any, and the number of Ordinary Shares and other property, if any, issuable upon exercise of each Warrant and the Warrant Price after giving effect to any adjustment pursuant to this Article 4 which would be required as a result of such action. Such notice shall be given as promptly as practicable after the Board has determined to take any such action and (x) in the case of any action covered by clause (a) or (b) above at least ten (10) days prior to the record date for determining the holders of the Ordinary Shares for purposes of such action or (y) in the case of any other such action at least twenty (20) days prior to the date of the taking of such proposed action or the date of participation therein by the holders of Ordinary Shares, whichever shall be the earlier.

4.9 *Other Events.* If any event occurs as to which the foregoing provisions of this Article 4 are not strictly applicable or, if strictly applicable, would not, in the good faith judgment of the Board, fairly and adequately protect the purchase rights of the Registered Holders in accordance with the essential intent and principles of such provisions, then the Board may make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of the Board, to protect such purchase rights as aforesaid.

5. *Transfer and Exchange of Warrants.*

5.1 *Transfer of Warrants.* Prior to the Detachment Date, the Warrants may be transferred or exchanged only as part of the Unit in which such Warrant is included and only for the purpose of effecting, or in conjunction with, a transfer or exchange of such Unit. For the avoidance of doubt, each transfer of a Unit, (i) in the case of Units held in the book-entry system of Euroclear and (ii) in the case of Units held in registered certificated form, if any, on the register relating to such Units, shall operate also to transfer the Warrants included in such Unit.

5.2 *Registration of Transfer.* Subject to Section 5.1 and Section 5.3 below, the Company or the Warrant Agent shall only register the transfer, from time to time, of any outstanding Warrant Certificates upon the Warrant Register, upon surrender of such Warrant Certificate for transfer, properly endorsed with signatures properly guaranteed and accompanied by appropriate instructions for transfer. Upon any such transfer, a new Warrant Certificate representing an equal aggregate number of Warrants shall be issued and the old Warrant Certificate shall be cancelled by the Warrant Agent. The Warrants so cancelled shall be delivered by the Warrant Agent to the Company from time to time upon request. The transfer of Book-Entry Warrants within the book-entry system of Euroclear will not be registered in the Warrant Register.

5.3 *Procedure for Transfer or Surrender of Warrants.*

5.3.1 Book-Entry Warrants may be transferred pursuant to the procedures for transfer established by Euroclear as in effect from time to time and are not required to be physically surrendered. Each Book-Entry Warrant may be transferred only in whole and not in part. The Warrant Certificate representing the Book-Entry Warrants that is held by Euroclear may only be transferred to the Depository, to another nominee of the Depository, to a successor depository, or to a nominee of a successor depository.

5.3.2 Warrant Certificates may be surrendered to the Warrant Agent, together with a written request for exchange or transfer, and thereupon the Warrant Agent or the Company shall issue in exchange therefor one or more new Warrant Certificates as requested by the Registered Holder of the Warrants so surrendered, representing an equal aggregate number of Warrants; *provided, however,* that except as otherwise provided herein or in the Warrant Certificate, a Warrant Certificate may be transferred only in whole; *provided further*, *however*, that in the event that a Warrant Certificate surrendered for transfer by a holder located in the United States or who is a U.S. Person (as defined under Regulation S) bears a restrictive legend, the Warrant Agent shall not cancel such Warrant Certificate and issue new Warrant Certificates in exchange therefor until the Warrant Agent has received an opinion of U.S. counsel to the Company stating that such transfer may be made and indicating whether the new Warrant Certificates must also bear a restrictive legend. Upon any such registration of transfer, the Company shall execute, and the Warrant Agent shall countersign and deliver, in the name of the designated transferee a new Warrant Certificate or Warrant Certificates of any authorized denomination evidencing in the aggregate a like number of unexercised Warrants.

5.4 *Fractional Warrants.* The Warrant Agent shall not be required to effect any registration of transfer or exchange which will result in the issuance of a fraction of a Warrant.

5.5 *Service Charges.* The Warrant Agent may charge the Registered Holder or an Admitted Institution €0.01 for the exercise of each Warrant, with a minimum charge of €50.00 and maximum of €1,500 for any such exercises.

5.6 *Warrant Execution and Countersignature.* The Warrant Agent is hereby authorized to countersign and to deliver, in accordance with the terms of this Agreement, the Warrants required to be issued pursuant to

the provisions of this Section 5, and the Company, whenever required by the Warrant Agent, will supply the Warrant Agent with Warrants duly executed on behalf of the Company for such purpose.

6. *Redemption.*

6.1 *Redemption.* Subject to Section 6.4 hereof, not less than all of the outstanding Warrants may be redeemed, at the option of the Company, at any time after they become exercisable and prior to their expiration, at the office of the Warrant Agent, upon the notice referred to in Section 6.2, at the price of €0.01 per Warrant (the "Redemption Price"), *provided, however,* that the last sales price of the Ordinary Shares has been equal to or greater than €16.50 (the "Floor Price"), on each of twenty (20) trading days within any thirty (30) trading day period ending on the third Business Day prior to the date on which notice of redemption is given. In the event the Company calls the Warrants for redemption pursuant to this Section 6.1, the Company shall have the option to require all (but not part) of the holders of those Warrants to exercise the Warrants on a cashless basis. If the Company requires holders of the Warrants to exercise the Warrants on a cashless basis, the holder of such Warrants shall pay the Warrant Price by surrendering such Warrants for that number of Ordinary Shares equal to the quotient obtained by dividing (x) the product of the number of Ordinary Shares underlying the Warrants, multiplied by the difference between the Warrant Price of the Warrants and the Redemption Fair Market Value by (y) the Redemption Fair Market Value.

6.2 *Date Fixed for, and Notice of, Redemption.* In the event the Company shall elect to redeem all of the Warrants permitted to be redeemed pursuant to Section 6.1 (the "Redeemable Warrants"), the Company shall fix a date for the redemption (the "Redemption Date"). Notice of redemption shall be mailed by first class mail, postage prepaid, by the Company not less than thirty (30) days prior to the Redemption Date to the Registered Holders of the Redeemable Warrants at their last addresses as they shall appear on the registration books. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date sent whether or not the Registered Holder received such notice. The Company shall make a public announcement of any such redemption to the extent required by any applicable rules or regulations.

6.3 *Exercise After Notice of Redemption.* The Redeemable Warrants may be exercised, for cash or on a "cashless basis", in accordance with Section 3 of this Agreement at any time after notice of redemption shall have been given by the Company pursuant to Section 6.2 hereof and prior to the time and date fixed for redemption. On and after the Redemption Date, the record holder of the Redeemable Warrants shall have no further rights except to receive the Redemption Price upon surrender of the Redeemable Warrants.

6.4 *Outstanding Warrants Only.* The Company understands that the redemption rights provided for by this Section 6 apply only to outstanding Redeemable Warrants. To the extent a person holds rights to purchase Redeemable Warrants, such purchase rights shall not be extinguished by redemption. However, once such purchase rights are exercised, the Company may redeem the Redeemable Warrants issued upon such exercise provided that the criteria for redemption are met, including the opportunity of the Redeemable Warrant holders to exercise prior to redemption pursuant to Section 6.3.

6.5 *Mandatory Redemption in Connection with Acquisition.*

6.5.1 *Mandatory Redemption.* Notwithstanding anything to the contrary set forth in this Agreement, immediately following the consummation of the Acquisition, 50% of all of the issued and outstanding Warrants held by each Registered Holder at the close of business on the date immediately preceding the date on which the consummation of the Acquisition occurs (the "Mandatory Redemption Date"), shall, automatically and without any action by such Registered Holder, be redeemed in exchange for one Ordinary Share for each 10.36705 Warrants so redeemed ("Redemption Shares"; the total number Redemption Shares necessary to effect the Mandatory Redemption of all of the issued and outstanding Warrants is referred to as the "Redemption Consideration"). Notwithstanding anything to the contrary set forth in this Agreement, neither the Company nor the Warrant Agent shall be required to provide notice to Registered Holders prior to or in connection with the consummation of the Mandatory Redemption. Warrants redeemed under this Section 6.5.1 are referred to as "Mandatorily Redeemed Warrants."

6.5.2 *Deposit of Redemption Consideration.* On the Mandatory Redemption Date, the Company shall deposit with the Warrant Agent (or, alternatively, segregate and hold in trust) a number of Redemption Shares

sufficient to pay the Redemption Consideration. In lieu of delivering certificates representing the Redemption Shares issuable upon consummation of the Mandatory Redemption, provided the Company's transfer agent has the facilities to do so, the Company shall use its reasonable efforts to cause its transfer agent to electronically transmit the Redemption Shares issuable upon consummation of the Mandatory Redemption to the Depositary.

6.5.3 *Book-Entry Redemption.* Book-Entry Warrants shall be mandatorily redeemed under Section 6.5.1 pursuant to the procedures for mandatory redemption and cancellation established by the Depositary as in effect on the Mandatory Redemption Date. To effect the Mandatory Redemption of Book-Entry Warrants, on the Mandatory Redemption Date, the Depositary shall, upon receipt of written authorization from the Company, automatically and without any action by a Registered Holder, with respect to the account of each Registered Holder, (a) deduct from the account of the Registered Holder's prime broker with the Depository or the Admitted Institution such number of Warrants that constitutes 50% of all of the Book-Entry Warrants held by such Registered Holder and (b) immediately thereafter, credit to the account of the Registered Holder's prime broker with the Depositary or the Admitted Institution such number of Redemption Shares that equals 10.36705 Redemption Shares for each Book-Entry Warrant so deducted. Notwithstanding anything to the contrary set forth in this Agreement, physical surrender of Warrant Certificates evidencing Mandatorily Redeemed Warrants that are Book-Entry Warrants, if any, shall not be required and shall not be a condition to the Company's consummation of the Mandatory Redemption with respect to any such Book-Entry Warrants.

6.5.4 *Redemption of Certificated Warrants; Surrender of Warrant Certificate.* To effect the Mandatory Redemption of Definitive Registered Warrants, on the Mandatory Redemption Date, the Company shall, automatically and without any action by a Registered Holder, with respect to each Registered Holder, (a) deduct from the Warrant Register such number of Definitive Registered Warrants that constitutes 50% of all of the Definitive Registered Warrants held by such Registered Holder and (b) cancel Warrant Certificates held by such Registered Holder to the extent such Warrant Certificates evidence Mandatorily Redeemed Warrants. The Registered Holder shall surrender the Warrant Certificate evidencing any Mandatorily Redeemed Warrants at the office of the Warrant Agent, or at the office of its successor as Warrant Agent, in Amsterdam, The Netherlands, (with, if the Warrant Agent so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Warrant Agent duly executed by, the Registered Holder thereof or the Registered Holder's attorney duly authorized in writing) as a condition to receiving any Redemption Shares. Upon surrender of any such Warrant Certificate, a new Warrant Certificate for the number of unredeemed Warrants shall be executed by the Company and countersigned by the Warrant Agent as provided in Section 2 hereof, and delivered to the Registered Holder of such Warrant Certificate at the address specified on the books of the Company or Warrant Agent or as otherwise specified by such Registered Holder. Notwithstanding anything to the contrary set forth in this Agreement, physical surrender of Warrant Certificates evidencing Mandatorily Redeemed Warrants shall only be a condition to a Registered Holder's receipt of Redemption Shares and shall not be a condition to the Company's consummation of the Mandatory Redemption with respect to any such Warrants.

6.5.5 *Fractional Warrants and Redemption Shares.* Consummation of the Mandatory Redemption shall not result in any Registered Holder receiving any fractional Redemption Shares. Each Registered Holder shall receive a cash payment in lieu of any fractional Redemption Shares to which such Registered Holder would otherwise be entitled as a result of the Mandatory Redemption equal to the fractional Redemption Share interest to which the Registered Holder would otherwise be entitled multiplied by €10.00.

6.5.6 *Miscellaneous.*

(i) The Company will pay all documentary stamp or other taxes or governmental charge attributable to the initial issuance of Ordinary Shares upon the Mandatory Redemption of Warrants; *provided, however,* that the Company shall not be required to pay any stamp or other tax or governmental charge required to be paid in connection with any transfer involved in the issue of the Ordinary Shares in a name other than that of the Registered Holder of a Warrant Certificate surrendered upon the Mandatory Redemption of Warrants; and in the event that any such transfer is involved, the Company shall not be required to issue or deliver any Ordinary

Shares until such tax or other charge shall have been paid or it has been established to the Company's satisfaction that no such tax or other charge is due.

(ii) Subject to Section 7.4 of this Agreement, and notwithstanding the foregoing, the Company shall not be obligated to deliver any Ordinary Shares pursuant to the Mandatory Redemption of a Warrant unless (A) the Ordinary Shares have been registered or qualified or deemed to be exempt under the securities laws of the jurisdiction or state of residence of the holders of the Warrants, (B) a registration statement under the Act with respect to the Ordinary Shares is effective or (C) in the opinion of U.S. counsel to the Company, the Mandatory Redemption of the Warrants is exempt from the registration requirements of the Act and such Ordinary Shares are qualified for sale or exempt from qualification under applicable securities laws of jurisdictions in which the Registered Holders reside.

(iii) All Ordinary Shares issued upon the Mandatory Redemption of a Warrant in conformity with this Agreement shall be validly issued, fully paid and nonassessable.

7. *Other Provisions Relating to Rights of Holders of Warrants.*

7.1 *No Rights as Shareholder.* A Warrant does not entitle the Registered Holder thereof to any of the rights of a shareholder of the Company, including, without limitation, the right to receive dividends, or other distributions, exercise any preemptive rights to vote or to consent or to receive notice as shareholders in respect of the meetings of shareholders or the election of directors of the Company or any other matter.

7.2 *Lost, Stolen, Mutilated, or Destroyed Warrant Certificates.* If any Warrant Certificate is lost, stolen, mutilated, or destroyed, the Company and the Warrant Agent may on such terms as to indemnity or otherwise as they may in their discretion impose (which shall, in the case of a mutilated Warrant Certificate, include the surrender thereof), issue a new Warrant Certificate of like denomination, tenor, and date as the Warrant Certificate so lost, stolen, mutilated or destroyed. Any such new Warrant Certificate shall constitute a substitute contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated, or destroyed Warrant Certificate shall be at any time enforceable by anyone.

7.3 *Reservation of Ordinary Shares.* The Company shall at all times reserve and keep available a number of its authorized but unissued Ordinary Shares that will be sufficient to permit the exercise in full of all outstanding Warrants issued pursuant to this Agreement.

7.4 *Registration of Ordinary Shares.* Subject to the discretion of the Board, the Warrants shall not be exercisable and the Company shall not be obligated to issue Ordinary Shares unless, at the time a holder seeks to exercise the Warrants, the Ordinary Shares have been registered or qualified or deemed to be exempt under the securities laws of the jurisdiction or state of residence of the holder of the Warrants.

8. *Concerning the Warrant Agent and Other Matters.*

8.1 *Payment of Taxes.* The Company shall from time to time promptly pay all taxes and charges that may be imposed upon the Company or the Warrant Agent in respect of the issuance or delivery of Ordinary Shares upon the exercise of Warrants, but the Company shall not be obligated to pay any transfer taxes in respect of the Warrants or such Ordinary Shares.

8.2 *Resignation, Consolidation, or Merger of Warrant Agent.*

8.2.1 *Appointment of Successor Warrant Agent.* The Warrant Agent, or any successor to it hereafter appointed, may resign its duties and be discharged from all further duties and liabilities hereunder after giving sixty (60) days' notice in writing to the Company. If the office of the Warrant Agent becomes vacant by resignation or incapacity to act or otherwise, the Company shall appoint in writing a successor Warrant Agent in place of the Warrant Agent. After appointment, any successor Warrant Agent shall be vested with all the authority, powers, rights, immunities, duties, and obligations of its predecessor Warrant Agent with like effect as if originally named as Warrant Agent hereunder, without any further act or deed; but if for any reason it becomes necessary or appropriate, the predecessor Warrant Agent shall execute and deliver, at the expense of the Company, an instrument transferring to such successor Warrant Agent all the authority, powers, and rights of such predecessor Warrant Agent hereunder; and upon request of any successor Warrant Agent the Company

shall make, execute, acknowledge, and deliver any and all instruments in writing for more fully and effectually vesting in and confirming to such successor Warrant Agent all such authority, powers, rights, immunities, duties, and obligations.

8.2.2 *Notice of Successor Warrant Agent.* In the event a successor Warrant Agent shall be appointed, the Company shall give notice thereof to the predecessor Warrant Agent and the transfer agent for the Ordinary Shares not later than the effective date of any such appointment.

8.2.3 *Merger or Consolidation of Warrant Agent.* Any corporation into which the Warrant Agent may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Warrant Agent shall be a party shall be the successor Warrant Agent under this Agreement without any further act.

8.3 *Fees and Expenses of Warrant Agent.*

8.3.1 *Remuneration.* The Company agrees to pay the Warrant Agent reasonable remuneration for its services as the Warrant Agent hereunder and shall reimburse the Warrant Agent upon demand for all expenditures that the Warrant Agent may reasonably incur in the execution of its duties hereunder.

8.3.2 *Further Assurances.* The Company agrees to perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Warrant Agent for the carrying out or performing of the provisions of this Agreement.

8.4 *Liability of Warrant Agent.*

8.4.1 *Reliance on Company Statement.* Whenever in the performance of its duties under this Agreement, the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a statement signed by the Chief Executive Officer or Chairman of the Board of the Company and delivered to the Warrant Agent. The Warrant Agent may rely upon such statement for any action taken or suffered in good faith by it pursuant to the provisions of this Agreement.

8.4.2 *Indemnity.* The Warrant Agent shall be liable hereunder only for its own negligence, willful misconduct or bad faith. The Company agrees to indemnify the Warrant Agent pursuant to the terms of that certain engagement letter, dated January 23, 2008, by and between the Company and the Warrant Agent.

8.4.3 *Exclusions.* The Warrant Agent shall have no responsibility with respect to the validity of this Agreement or with respect to the validity or execution of any Warrant (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Warrant; nor shall it be responsible to make any adjustments required under the provisions of Section 4 hereof or responsible for the manner, method, or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment; nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Ordinary Shares to be issued pursuant to this Agreement or any Warrant or as to whether any Ordinary Shares will when issued be valid and fully paid and nonassessable.

8.5 *Acceptance of Agency.* The Warrant Agent hereby accepts the agency established by this Agreement and agrees to perform the same upon the terms and conditions herein set forth and among other things, shall account promptly to the Company with respect to Warrants exercised and concurrently account for, and pay to the Company, all moneys received by the Warrant Agent for the purchase of Ordinary Shares through the exercise of Warrants.

8.6 *Waiver.* The Warrant Agent hereby waives any and all right, title, interest or claim of any kind ("Claim") in or to any distribution of the Trust Account (as defined in that certain Investment Management Trust Agreement by and between the Company and the Warrant Agent as trustee thereunder), and hereby

agrees not to seek recourse, reimbursement, payment or satisfaction for any Claim against the funds in the Trust Account for any reason whatsoever.

9. *Miscellaneous Provisions.*

9.1 *Successors.* All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns.

9.2 *Notices.* Any notice, statement or demand authorized by this Agreement to be given or made by the Warrant Agent or by the holder of any Warrant to or on the Company shall be sufficiently given when so delivered if by hand or overnight delivery or if sent by certified mail or private courier service within five (5) days after deposit of such notice, postage prepaid, addressed (until another address is filed in writing by the Company with the Warrant Agent), as follows:

Liberty Acquisition Holdings (International) Company
Bison Court, Road Towns
Tortola, BVI, VG1110
Attn: Nicolas Berggruen

Any notice, statement or demand authorized by this Agreement to be given or made by the holder of any Warrant or by the Company to or on the Warrant Agent shall be sufficiently given when so delivered if by hand or overnight delivery or if sent by certified mail or private courier service within five (5) days after deposit of such notice, postage prepaid, addressed (until another address is filed in writing by the Warrant Agent with the Company), as follows:

ABN AMRO BANK N.V.
Gustav Mahler 10
1082 PP Amsterdam
The Netherlands
Attn: Richard Van Etten

with a copy in each case to:

Greenberg Traurig, LLP
200 Park Avenue
New York, NY 10166
Facsimile: (212) 801-6400
Attn: Alan Annex, Esq.

and

Akin Gump Strauss Hauer & Feld LLP
590 Madison Avenue
New York, NY 10022-2524
Facsimile: (212) 872-1002
Attn: Bruce S. Mendelsohn, Esq.

9.3 *Applicable Law.* This Agreement and the Warrants shall be governed in all respects by and, and construed in accordance with, the laws of the Cayman Islands. The parties hereby submit to the non-exclusive jurisdiction of the Cayman Islands. Any such process or summons to be served upon the parties may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 9.2 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim.

9.4 *Persons Having Rights under this Agreement.* Nothing in this Agreement expressed and nothing that may be implied from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any person or corporation other than the parties hereto.

9.5 *Examination of the Warrant Agreement.* A copy of this Agreement shall be available at all reasonable times at the office of the Warrant Agent in Amsterdam, The Netherlands, for inspection by the Registered Holder of any Warrant. The Warrant Agent may require any such Registered Holder to submit his Warrant for inspection by the Warrant Agent.

9.6 *Counterparts.* This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument.

9.7 *Effect of Headings.* The Section headings herein are for convenience only and are not part of this Agreement and shall not affect the interpretation hereof.

9.8 *Amendments.* This Agreement may be amended by the parties hereto without the consent of any Registered Holder for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein or adding or changing any other provisions with respect to matters or questions arising under this Agreement as the parties may deem necessary or desirable and that the parties deem shall not adversely affect the interest of the Registered Holders. All other modifications or amendments, including any amendment to change the Warrant Price or shorten the Exercise Period, shall require the written consent of the Registered Holders of a majority of the then outstanding Warrants and the approval of the independent directors of the Board. Notwithstanding the foregoing, the Company may lower the Warrant Price or extend the duration of the Exercise Period in accordance with Sections 3.1 and 3.2, respectively, without such consent. In the event of any amendment, modification or waiver, the Company shall give prompt notice thereof to all Warrant holders in accordance with applicable laws, rules and regulations, to the Depository and, if appropriate, notation thereof shall be made on any Warrant Certificate thereafter surrendered for registration of transfer or exchange.

9.9 *Severability.* This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

9.10 *Entire Agreement.* This Agreement constitutes the entire understanding of the parties and supersedes all prior agreements, understandings, arrangements, promises and commitments, whether written or oral, express or implied, relating to the subject matter hereof, and all such prior agreements, understandings, arrangements, promises and commitments are hereby cancelled and terminated. Specifically, the Original Warrant Agreement is hereby superseded in full by this Agreement and all rights and obligations under the Original Warrant Agreement are hereby terminated.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

Attest:

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

_____

By: _____

Name: Nicolas Berggruen
Title: Director

Attest:

ABN AMRO BANK N.V.

_____

By: _____

Name:
Title:

Exhibit A

Form of Warrant

THE SECURITIES REPRESENTED BY THIS WARRANT CERTIFICATE (INCLUDING THE SECURITIES ISSUABLE UPON EXERCISE OF THE WARRANT) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE TRANSFERRED IN VIOLATION OF SUCH ACT AND LAWS, OR AN EXEMPTION FROM REGISTRATION THEREFROM.

THE SECURITIES REPRESENTED BY THIS WARRANT CERTIFICATE (INCLUDING THE SECURITIES ISSUABLE UPON THE EXERCISE OF THE WARRANT) ARE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE AMENDED AND RESTATED WARRANT AGREEMENT DATED AS OF , 2009, BY AND BETWEEN THE COMPANY AND THE WARRANT AGENT (THE "AMENDED AND RESTATED WARRANT AGREEMENT"). COPIES OF SUCH AGREEMENT MAY BE OBTAINED BY THE HOLDER HEREOF AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS WITHOUT CHARGE.

SEE ANNEX A TO THIS WARRANT CERTIFICATE FOR ADDITIONAL RESTRICTIVE LEGENDS APPLICABLE TO THIS WARRANT.

SPECIMEN WARRANT CERTIFICATE

NUMBER _____ _____ WARRANTS

THIS WARRANT WILL BE VOID IF NOT EXERCISED PRIOR TO 5:30 P.M. AMSTERDAM (CENTRAL EUROPEAN) TIME, ON THE EXPIRATION DATE

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

ISIN KYG678611230

WARRANT

THIS CERTIFIES THAT, for value received

is the Registered Holder of a Warrant or Warrants expiring on the Expiration Date (unless earlier redeemed in accordance with the terms hereof) (the "Warrant") to purchase one fully paid and non-assessable Ordinary Share with a nominal value of €0.0001 per share ("Ordinary Shares"), of Liberty Acquisition Holdings (International) Company (formerly known as Liberty International Acquisition Company), an exempted Cayman Islands limited liability company (the "Company"), for each Warrant evidenced by this Warrant Certificate. The Warrant entitles the holder thereof to purchase from the Company, commencing on the later of the Company's completion of a business combination with a target business or one year from the Admission Date, such number of Ordinary Shares of the Company at the price of €11.00 per share, upon surrender of this Warrant Certificate and payment of the Warrant Price at the office or agency of the Warrant Agent, ABN AMRO Bank N.V. (such payment to be made by check made payable to the Warrant Agent), but only subject to the conditions set forth herein and in the Amended and Restated Warrant Agreement between the Company and ABN AMRO Bank N.V. The Amended and Restated Warrant Agreement provides that upon the occurrence of certain events the Warrant Price and the number of Ordinary Shares purchasable hereunder, set forth on the face hereof, may, subject to certain conditions, be adjusted. The term Warrant Price as used in this Warrant Certificate refers to the price per Ordinary Share at which Ordinary Shares may be purchased at the time the Warrant is exercised.

No fraction of an Ordinary Share will be issued upon any exercise of a Warrant. If, upon exercise of a Warrant, a holder would be entitled to receive a fractional interest in an Ordinary Share, the Company shall, upon exercise, round up to the nearest whole number the number of Ordinary Shares to be issued to the warrant holder.

Upon any exercise of the Warrant for less than the total number of full Ordinary Shares provided for herein, there shall be issued to the registered holder hereof or his assignee a new Warrant Certificate covering the number of Ordinary Shares for which the Warrant has not been exercised.

Warrant Certificates, when surrendered at the office or agency of the Warrant Agent by the registered holder hereof in person or by attorney duly authorized in writing, may be exchanged in the manner and subject to the limitations provided in the Amended and Restated Warrant Agreement, but without payment of any service charge, for another Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants.

Upon due presentment for registration of transfer of the Warrant Certificate at the office or agency of the Warrant Agent, a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee in exchange for this Warrant Certificate, subject to the limitations provided in the Amended and Restated Warrant Agreement, without charge except for any applicable tax or other governmental charge.

The Company and the Warrant Agent may deem and treat the Registered Holder as the absolute owner of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, of any distribution to the Registered Holder, and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

This Warrant does not entitle the Registered Holder to any of the rights of a shareholder of the Company.

Subject to Section 6.4 of the Amended and Restated Warrant Agreement, the Company may redeem all, but not less than all, of the Warrants, at the option of the Company, at any time after the Warrants become exercisable and prior to their expiration, at the office of the Warrant Agent, upon the notice referred to in Section 6.2 of the Amended and Restated Warrant Agreement, at the price of €0.01 per Warrant (the "Redemption Price"), *provided*, *however*, that the last sales price of the Ordinary Shares has been equal to or greater than the Floor Price, on each of twenty (20) trading days within any thirty (30) trading day period ending on the third business day prior to the date on which notice of redemption is given. In the event the Company calls the Warrants for redemption pursuant to this Section 6.1, the Company shall have the option to require all (but not part) of the holders of those Warrants to exercise the Warrants on a cashless basis. If the Company requires holders of the Warrants to exercise the Warrants on a cashless basis, the holder of such Warrants shall pay the Warrant Price by surrendering such Warrants for that number of Ordinary Shares equal to the quotient obtained by dividing (x) the product of the number of Ordinary Shares underlying the Warrants, multiplied by the difference between the Warrant Price of the Warrants and the Redemption Fair Market Value (defined below) by (y) the Redemption Fair Market Value. The "Redemption Fair Market Value" shall mean the average reported last sale price of the Ordinary Shares for the ten (10) consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to holders of the Warrants. Any Warrant either not exercised or tendered back to the Company by the end of the date specified in the notice of redemption shall be canceled on the books of the Company and have no further value except for the €0.01 redemption price.

This Warrant shall be governed by, and construed with, the laws of the Cayman Islands.

Capitalized terms used herein but not defined shall have the meaning set forth in the Amended and Restated Warrant Agreement.

By: _____

Name:

Title:

By: _____

Name:

Title:

Annex A

"PRIOR TO INVESTING IN THE SECURITIES OR CONDUCTING ANY TRANSACTIONS IN THE SECURITIES, INVESTORS ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS REGARDING THE RESTRICTIONS ON TRANSFER SUMMARIZED BELOW AND ANY OTHER RESTRICTIONS.

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). HEDGING TRANSACTIONS INVOLVING THIS SECURITY MAY NOT BE CONDUCTED DIRECTLY OR INDIRECTLY, UNLESS IN COMPLIANCE WITH THE SECURITIES ACT. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A OR REGULATION S THEREUNDER.

THIS SECURITY MAY NOT BE ACQUIRED, HELD BY OR TRANSFERRED TO (I) AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO THE U.S. EMPLOYEE RETIREMENT SECURITIES ACT OF 1974, AS AMENDED ("ERISA"), (II) A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT THAT IS SUBJECT TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR TO ANY OTHER STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT WOULD HAVE THE SAME EFFECT AS REGULATIONS PROMULGATED UNDER ERISA BY THE U.S. DEPARTMENT OF LABOR AND CODIFIED AT 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) SO AS TO CAUSE THE UNDERLYING ASSETS OF LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY (THE "COMPANY") TO BE TREATED AS ASSETS OF THAT INVESTING ENTITY BY VIRTUE OF ITS INVESTMENT IN THE COMPANY AND THEREBY SUBJECT THE COMPANY (OR PERSONS RESPONSIBLE FOR THE INVESTMENT AND OPERATION OF THE COMPANY'S ASSETS) TO LAWS OR REGULATIONS THAT ARE SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS CONTAINED IN TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR (III) AN ENTITY THE UNDERLYING ASSETS OF WHICH ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH PLANS, ACCOUNTS AND ARRANGEMENTS AND WHICH HAVE PURCHASED THIS SECURITY ON BEHALF OF, OR WITH "PLAN ASSETS" OF, ANY PLAN (COLLECTIVELY A "PLAN").

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A), THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED, ASSIGNED, TRANSFERRED OR OTHERWISE ENCUMBERED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE OF THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR OTHER APPLICABLE EXEMPTION, (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (V) TO THE ISSUER, IN EACH OF CASES (I), (III) AND (IV), ABOVE, ONLY IF (PRIOR TO THE COMPANY HAVING ENTERED INTO A BUSINESS COMBINATION) THE SELLER REASONABLY BELIEVES THE BUYER IS A QP AND, IN ADDITION, ONLY IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. PRIOR TO PERMITTING ANY TRANSFER, THE COMPANY MAY REQUIRE AN OPINION OF COUNSEL OR OTHER DOCUMENTATION REASONABLY SATISFACTORY TO IT THAT ANY TRANSFER IS TO BE EFFECTED IN A TRANSACTION THAT IS EXEMPT FROM OR NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAW OF A STATE OF THE UNITED STATES, OR THAT THE TRANSFEREE IS A QUALIFIED PURCHASER."

ELECTION TO PURCHASE

To Be Executed by the Registered Holder in Order to Exercise Warrants

The undersigned Registered Holder irrevocably elects to exercise Warrants held in represented by this Warrant Certificate, and to purchase the Ordinary Shares issuable upon the exercise of such Warrants, and requests that Warrant Certificates for such Ordinary Shares be issued to, and registered in the name of:

_____

(PLEASE TYPE OR PRINT NAME AND ADDRESS)

_____

_____

_____

(SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER)

and be delivered to _____

(PLEASE PRINT OR TYPE NAME AND ADDRESS)

_____

and, if such number of Warrants shall not be all the Warrants evidenced by this Warrant Certificate, that a new Warrant Certificate for the balance of such Warrants will be registered in the name of, and delivered to, the Registered Holder at the address stated below:

Dated: _____

_____

(SIGNATURE)

_____

(ADDRESS)

_____

_____

(TAX IDENTIFICATION NUMBER)

ASSIGNMENT

To Be Executed by the Registered Holder in Order to Assign Warrants

For Value Received, _____ hereby sells, assigns, and transfers unto

_____

(PLEASE TYPE OR PRINT NAME AND ADDRESS)

_____

_____

_____

(SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER)

and be delivered to _____

(PLEASE PRINT OR TYPE NAME AND ADDRESS)

of the Warrants represented by this Warrant Certificate, and hereby irrevocably constitutes and appoints Attorney to transfer this Warrant Certificate on the books of the Company, with full power of substitution in the premises.

Dated: _____ _____

(SIGNATURE)

THE SIGNATURE TO THE ASSIGNMENT OF THE SUBSCRIPTION FORM MUST CORRESPOND TO THE NAME WRITTEN UPON THE FACE OF THIS WARRANT CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY A COMMERCIAL BANK OR TRUST COMPANY OR A MEMBER FIRM OF THE AMERICAN STOCK EXCHANGE, NEW YORK STOCK EXCHANGE, PACIFIC STOCK EXCHANGE OR CHICAGO STOCK EXCHANGE OR NYSE EURONEXT.

Annex J

FORM OF
AMENDED AND RESTATED INSIDER WARRANT AGREEMENT

This Amended and Restated Insider Warrant Agreement (this "Agreement") is made on , 2009, by and among Liberty Acquisition Holdings (International) Company (formerly known as Liberty International Acquisition Company), an exempted Cayman Islands limited liability company, with offices at Bison Court, Road Town, Tortola, BVI, VG1110 (the "Company"), and Berggruen Acquisition Holdings II Ltd. ("Berggruen Holdings"), Marlin Equities IV, LLC ("Marlin Equities"), Miguel Pais do Amaral and Dimitri Goulandris (each a "Founder" and collectively, the "Founders").

WHEREAS, (a) on January 9, 2008, the Company entered into an Insider Warrant Agreement (the "Original Insider Warrant Agreement") with the Founders and Guy Naggar and (b) on February 5, 2008, the Company entered into a Warrant Agreement with ABN AMRO Bank N.V., trading under the name "RBS" (the "Original Warrant Agreement" and, together with the Original Insider Warrant Agreement, the "Original Warrant Agreements");

WHEREAS, in connection with the Original Insider Warrant Agreement, the Company engaged in a private offering of units ("Units"), each consisting of one ordinary share with a nominal value of €0.0001 per share of the Company ("Ordinary Shares") and one warrant (a "Warrant"), each individual Warrant entitling the holder thereof to purchase one Ordinary Share for €7.00, to the Founders and Guy Naggar and, in connection therewith, issued and delivered a total of 23,000,000 Warrants (the "Founders' Warrants") to be included in Units issued to the Founders and Guy Naggar;

WHEREAS, in connection with the Original Warrant Agreement, the Company engaged in an initial public offering pursuant to which Units were offered and sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Act"), who were "qualified purchasers" (as such term is defined under Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended), and outside of the United States to non-U.S. persons pursuant to Regulation S ("Regulation S") under the Act (the "Offering") and, in connection therewith, issued and delivered 60,000,000 underlying Warrants to investors (the "Investor Warrants"), each of such Investor Warrants evidencing the right of the holder thereof to purchase one Ordinary Share for €7.00;

WHEREAS, the Company listed the Units sold to the public investors, the Investor Warrants and the Ordinary Shares with Euronext Amsterdam by NYSE Euronext ("Euronext Amsterdam") and therefore is subject to Dutch securities regulation and supervision by the Netherlands Authority for the Financial Markets (*Autoriteit Financiele Markten*);

WHEREAS, contemporaneously with the consummation of the Offering, the Company engaged in a private offering and entered into an agreement to sell an aggregate of (i) 8,000,000, additional Warrants for €1.00 per Warrant to Berggruen Holdings and Marlin Equities (each a "Sponsor" and collectively, the "Sponsors"), each evidencing the right of the holder thereof to purchase one Ordinary Share for €7.00 (the "Sponsors' Warrants") and (ii) 5,000,000 co-investment Warrants for €1.00 per Warrant to the Sponsors, each evidencing the right of the holder thereof to purchase one Ordinary Share for €7.00 (the "Co-Investment Warrants"), immediately prior to the consummation of a merger, capital stock exchange, share purchase, asset acquisition, reorganization, or other similar business combination ("Business Combination");

WHEREAS, contemporaneously with the consummation of the Offering, the Company engaged in a private offering of co-investment Units with Mr. Naggar, one of its independent directors and, in connection therewith, entered into an agreement to sell to Mr. Naggar an aggregate of 1,000,000 Co-Investment Warrants for €1.00 per Warrant, each evidencing the right of the holder to purchase one Ordinary Share for €7.00 (the "Naggar Co-Investment Warrants," and together with the Co-Investment Warrants, the Founders' Warrants and the Sponsors' Warrants, the "Insiders Warrants" and, together with the Investors Warrants, the "Company Warrants"), immediately prior to the consummation of the Business Combination;

WHEREAS, on June 27, 2009, the Company entered into (a) a Purchase Agreement (the "Pearl Purchase Agreement") with certain equity holders of Sun Capital Investments Limited, Jambright Limited, Suncap Parma Topco Limited, TDR Parma Topco Limited (collectively, "Pearl Group") and other parties thereto, pursuant to which the Company will acquire all of the outstanding equity interests of Pearl Group and Pearl Group will become a wholly-owned subsidiary of the Company and (b) a Purchase Agreement (the "Opal Re Purchase Agreement"; and together with the Pearl Purchase Agreement, the "Purchase Agreements") with the equity holders of Opal Reassurance Limited ("Opal Re"), pursuant to which the Company will acquire all of the outstanding equity interests of Opal Re and certain other securities, and Opal Re will become a wholly-owned subsidiary of the Company (collectively the "Acquisition");

WHEREAS, consummation of the Acquisition is conditioned on, among other conditions, the approval, in accordance with the relevant provisions of the Original Warrant Agreements, by persons holding outstanding Company Warrants as of June 27, 2009 (the "Record Date"), of amendments to the Original Warrant Agreements that would (a) permit the mandatory redemption, on a *pro rata* basis, of a total of 41,468,200 of the outstanding Company Warrants immediately upon the consummation of the Acquisition in exchange for 4,000,000 newly issued Ordinary Shares, at a ratio of one Ordinary Share for each 10.36705 Company Warrants redeemed (the "Mandatory Redemption"); (b) increase the exercise price of the Company Warrants that are not mandatorily redeemed from €7.00 to €11.00; and (c) amend the redemption provisions of the remaining Company Warrants to permit the Company to unilaterally redeem such remaining Company Warrants if the Ordinary Shares issued in the Offering trade at or above €16.50 per share (from €13.75 per share) for 20 out of any 30 consecutive trading days (collectively, the "Amendments");

WHEREAS, the Sponsors and Mr. Naggar have, at the request of Pearl, agreed not to exercise the Co-Investment Warrants and the Naggar Co-Investment Warrants, respectively, under the Original Insider Warrant Agreement, as a result of or in connection with the consummation of the Acquisition, so as to reduce dilution to the equity holders of the Company following the Acquisition;

WHEREAS, persons holding outstanding Company Warrants as of the Record Date have approved, in accordance with the relevant provisions of the Original Warrant Agreements, the Amendments and the amendment and restatement of the Original Warrant Agreements to effect the Amendments;

WHEREAS, the Company will act as the warrant agent in connection with the Amendments;

WHEREAS, the Company desires to provide for the form and provisions of the Insider Warrants, the terms upon which they shall be issued and exercised, and the respective rights, limitation of rights, and immunities of the Company and the holders of the Insider Warrants; and

WHEREAS, all acts and things have been done and performed which are necessary to authorize the execution and delivery of this Agreement and to make the Insider Warrants, when executed by or on behalf of the Company, as provided herein, the valid, binding and legal obligations of the Company.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

1. *Company as Warrant Agent.* The Company shall act as the warrant agent for the Insider Warrants and agrees to perform the same in accordance with the terms and conditions set forth in this Agreement; *provided, however*, the Company may appoint a third party to act as warrant agent under the terms and conditions of this Agreement at any time after the date hereof.

2. *Insider Warrants.*

2.1 *Form of Insider Warrant.* Each Insider Warrant shall be issued in the form of one or more certificates (executed outside of the United Kingdom) in registered form in substantially the form of Exhibit A hereto, the provisions of which are incorporated herein and shall be signed by, or bear the facsimile signature of, one or more directors of the Company. In the event the person whose facsimile signature has been placed upon any Insider Warrant shall have ceased to serve in the capacity in which such person signed the Insider Warrant before such Insider Warrant is issued, it may be issued with the same effect as if he or she had not ceased to be such at the date of issuance.

2.2 *Effect of Countersignature.* Unless and until signed or countersigned by the Company, as the case may be, pursuant to this Agreement, an Insider Warrant shall be invalid and of no effect and may not be exercised by the holder thereof.

2.3 *Registration.*

2.3.1 *Insider Warrant Register.* The Company or its agent shall maintain books (the "Insider Warrant Register") for the registration of original issuance and the registration of transfer of the Insider Warrants. The Insider Warrant Register will, at all times, be held and maintained outside of the United Kingdom.

Definitive certificates representing the Insider Warrants ("Definitive Warrant Certificates") in physical form shall be in the form annexed hereto as Exhibit A, with any insertions, modifications and omissions, as may be appropriate.

2.3.2 *Beneficial Owner; Registered Holder.* The term "beneficial owner" shall mean any person in whose name ownership of a beneficial interest in the Insider Warrants evidenced by a warrant certificate (each a "Warrant Certificate") is recorded in the records maintained by the Company or its agent. Prior to due presentment for registration of transfer of any Insider Warrant, the Company may deem and treat the person or entity in whose name such Insider Warrant shall be registered upon the Insider Warrant Register ("Registered Holder"), as the absolute owner of such Insider Warrant for the purpose of any exercise thereof, and for all other purposes, and the Company shall not be affected by any notice to the contrary.

2.4 *Insider Warrants.* The Founders' Warrants will become exercisable after consummation of a Business Combination if and when the last sales price of the Ordinary Shares exceeds €16.50 per share (the "Floor Price") for any twenty (20) trading days within a thirty (30) trading day period beginning ninety (90) days after such Business Combination. The Founders' Warrants will be non-redeemable so long as they are held by the Founders or their Permitted Transferees (as defined in this Section 2.4) and the Sponsors' Warrants will be non-redeemable so long as they are held by the Sponsors or their Permitted Transferees, except pursuant to the Mandatory Redemption. The Insider Warrants may be exercised at the option of the holder on a cashless basis. "Permitted Transferees" shall mean any of the Company's officers, directors or employees, or other persons or entities associated with such Founder or Sponsor (as the case may be) who agree to become subject to the same transfer restrictions as such Founder or Sponsor upon receiving such Insider Warrants.

3. *Terms and Exercise of Insider Warrants.*

3.1 *Warrant Price.* Each Insider Warrant shall, when signed or countersigned by the Company, as the case may be, entitle the Registered Holder thereof, subject to the provisions of such Warrant and of this Agreement, to purchase from the Company the number of Ordinary Shares stated therein, at the price of €11.00 per whole share, subject to the adjustments provided in Section 4 hereof and in the last sentence of this Section 3.1. The term "Warrant Price" as used in this Agreement refers to the price per share at which Ordinary Shares may be purchased at the time an Insider Warrant or Investor Warrant (collectively, the "Company Warrants") is exercised. The Company in its sole discretion may lower the Warrant Price at any time prior to the Expiration Date (as defined in Section 3.2 hereof) for a period of not less than ten (10) Business Days; *provided, however*, that any such reduction shall be identical in percentage terms among all of the Company Warrants; and *provided further* that the number of Ordinary Shares issuable on exercise of the Company Warrants will not be adjusted for issuances of shares at a price below the Warrant Price. "Business Day" shall be any day where the depository for the Investor Warrants is open for trading.

3.2 *Duration of Insider Warrants.* An Insider Warrant may be exercised only during the period (the "Exercise Period") commencing on the consummation by the Company of a Business Combination, and terminating at 5:00 p.m., Amsterdam (Central European) time on the earlier to occur of (i) first Business Day following the fifth anniversary of the date of the consummation by the Company of a Business Combination; or (ii) the date fixed for redemption of the Insider Warrants as provided in Section 6 of this Agreement ("Expiration Date"); *provided, however* that, (i) the Insider Warrants shall not be exercisable and the Company shall not be obligated to issue Ordinary Shares unless, at the time a holder seeks to exercise the Insider Warrants, a prospectus relating to Ordinary Shares issuable upon exercise of the Insider Warrants is current

and the Ordinary Shares have been registered or qualified or deemed to be exempt under the securities laws of the jurisdiction of residence of the holder of the Insider Warrants and (ii) in addition to the exercise conditions set forth in this Section 3.2, the Founders' Warrants may only become exercisable following the Company's completion of a Business Combination if and when the last sales price of the Ordinary Shares exceeds the Floor Price for any twenty (20) trading days within a thirty (30) trading day period beginning ninety (90) days after such Business Combination. Except with respect to the right to receive the Redemption Price (as set forth in Section 6 hereunder), each Insider Warrant not exercised on or before the Expiration Date shall become void, and all rights thereunder and all rights in respect thereof under this Agreement shall cease at the close of business on the Expiration Date.

3.3 *Exercise of Insider Warrants.*

3.3.1 *Payment.* Subject to the provisions of the Insider Warrant and this Agreement, an Insider Warrant, when signed or countersigned by the Company, as the case may be, may be exercised by the Registered Holder thereof by surrendering, not later than 5:00 P.M., Amsterdam (Central European) time, on any Business Day during the Exercise Period (the "Exercise Date") to the Company at the office of the Company, or the Company's agent, (i) the Definitive Warrant Certificate evidencing the Insider Warrants to be exercised; (ii) an election to purchase (the ''Election to Purchase") in the form attached hereto as part of Exhibit A the Ordinary Shares underlying the Insider Warrants to be exercised, properly completed and executed; and (iii) the Warrant Price for each full Ordinary Share as to which the Insider Warrants are exercised; *provided, however*, that so long as the Insider Warrants are held by a Sponsor or Founder or its Permitted Transferees, such holders may pay the Warrant Price by surrendering the Insider Warrants for that number of Ordinary Shares equal to the quotient obtained by dividing (x) the product of the number of Ordinary Shares underlying the Insider Warrant, multiplied by the difference between the Warrant Price and the "Fair Market Value" (defined herein) by (y) the Fair Market Value. The "Fair Market Value" shall mean the average last sales price of the Ordinary Shares in the principal trading market for the Ordinary Shares as reported by Euronext Amsterdam (or successor exchange), as the case may be, for the ten (10) consecutive trading days ending on the third trading day preceding the date the Insider Warrants are exercised; and *provided further*, however, that with respect to any outstanding Insider Warrants, in the event the Company calls such Insider Warrants for redemption, the Company shall have the option to require all (but not part) of the holders of those Insider Warrants to exercise the Insider Warrants on a cashless basis, in which case the holder of such Insider Warrants shall pay the Warrant Price by surrendering such Insider Warrants for that number of Ordinary Shares equal to the quotient obtained by dividing (x) the product of the number of Ordinary Shares underlying the Insider Warrants, multiplied by the difference between the Warrant Price and the Redemption Fair Market Value (defined in this Section 3.3.1) by (y) the Redemption Fair Market Value. The "Redemption Fair Market Value" shall mean the average reported last sale price of the Ordinary Shares for the ten (10) consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to holders of such Insider Warrants.

(i) If any of (A) the Definitive Warrant Certificate, (B) the Election to Purchase, or (C) the Warrant Price therefor, is received by the Company or its agent after 5:00 P.M., Amsterdam (Central European) time, on a specified day or if such day is not a Business Day, the Insider Warrants will be deemed to be received and exercised on, and the applicable Exercise Date shall be the Business Day next succeeding such day. If the Insider Warrants are received or deemed to be received after the Expiration Date, the exercise thereof will be null and void and any funds delivered to the Company will be returned to the Registered Holder as soon as practicable. In no event will interest accrue on funds deposited with the Company in respect of an exercise or attempted exercise of Insider Warrants. The validity of any exercise of Insider Warrants will be determined by the Company in its sole discretion and such determination will be final and binding upon the holder. The Company shall have no obligation to inform a holder of the invalidity of any exercise of Insider Warrants.

(ii) The Company shall deposit all funds received by it in payment of the Warrant Price in the account of the Company.

(iii) The Company shall, by 5:00 P.M. Amsterdam (Central European) time on the Business Day following the Exercise Date of any Insider Warrant, advise the transfer agent and registrar in respect of (a) the

Ordinary Shares issuable upon such exercise as to the number of Insider Warrants exercised in accordance with the terms and conditions of this Agreement, (b) the instructions of each Registered Holder with respect to delivery of the Ordinary Shares issuable upon such exercise, and the delivery of Definitive Warrant Certificates, as appropriate, evidencing the balance, if any, of the Insider Warrants remaining after such exercise, and (c) such other information as such transfer agent and registrar shall reasonably require.

(iv) The Company shall, by 5:00 P.M., Amsterdam (Central European) time, on the third Business Day next succeeding the Exercise Date of any Insider Warrant and the clearance of the funds in payment of the Warrant Price, execute, issue and deliver the Ordinary Shares to which such Registered Holder is entitled, in fully registered form, registered in such name or names as may be directed by such Registered Holder. Upon receipt of such Ordinary Shares, the Company shall, by 5:00 P.M., Amsterdam (Central European) time, on the fifth Business Day next succeeding such Exercise Date, transmit such Ordinary Shares to or upon the order of the Registered Holder.

(v) The accrual of dividends, if any, on the Ordinary Shares issued upon the valid exercise of any Insider Warrant will be governed by the terms generally applicable to the Ordinary Shares. Starting with the Exercise Date, the former holder of the Insider Warrants exercised will be entitled to the benefits generally available to other holders of Ordinary Shares and such former holder's right to receive payments of dividends and any other amounts payable in respect of the Ordinary Shares shall be governed by, and shall be subject to, the terms and provisions generally applicable to such Ordinary Shares.

(vi) Insider Warrants may be exercised only in whole numbers of Ordinary Shares. No fractional Ordinary Shares are to be issued upon the exercise of the Insider Warrant, but rather the number of Ordinary Shares to be issued shall be rounded down to the nearest whole number. If fewer than all of the Insider Warrants evidenced by a Warrant Certificate are exercised, a new Warrant Certificate for the number of unexercised Insider Warrants remaining shall be executed by the Company as provided in Section 2 hereof, and delivered to the holder of the Warrant Certificate at the address specified on the books of the Company or as otherwise specified by such Registered Holder.

(vii) The Company will pay all documentary stamp or other taxes or governmental charge attributable to the initial issuance of Ordinary Shares upon the exercise of Insider Warrants; *provided, however*, that the Company shall not be required to pay any stamp or other tax or governmental charge required to be paid in connection with any transfer involved in the issue of the Ordinary Shares in a name other than that of the Registered Holder of a Warrant Certificate surrendered upon the exercise of Insider Warrants; and in the event that any such transfer is involved, the Company shall not be required to issue or deliver any Ordinary Shares until such tax or other charge shall have been paid or it has been established to the Company's satisfaction that no such tax or other charge is due.

(viii) Holders of Insider Warrants are required, as a condition precedent to the exercise of any Insider Warrants, to comply with any transfer restrictions applicable to the exercise of such Insider Warrants, including those set forth in the section titled "Transfer Restrictions" included in the final offering circular to be issued by the Company in connection with the Offering.

3.3.2 *Issuance of Certificates.* Subject to Section 7.4 of this Agreement, and notwithstanding the foregoing, the Company shall not be obligated to deliver any Ordinary Shares pursuant to the exercise of an Insider Warrant unless (i) a prospectus relating to Ordinary Shares issuable upon exercise of the Insider Warrants is current and the Ordinary Shares have been registered or qualified or deemed to be exempt under the securities laws of the jurisdiction or state of residence of the holders of the Insider Warrants, (ii) a registration statement under the Act with respect to the Ordinary Shares is effective or (iii) in the opinion of counsel to the Company, the exercise of the Insider Warrants is exempt from the registration requirements of the Act and such Ordinary Shares are qualified for sale or exempt from qualification under applicable securities laws of jurisdictions in which the Registered Holders reside. Insider Warrants may not be exercised by, or Ordinary Shares issued to, any Registered Holder in any state or other jurisdiction in which such exercise would be unlawful.

3.3.3 *Valid Issuance.* All Ordinary Shares issued upon the proper exercise of a Insider Warrant in conformity with this Agreement shall be validly issued, fully paid and nonassessable.

3.3.4 *Date of Issuance.* Each person in whose name any such certificate for Ordinary Shares is issued shall become the Registered Holder of such Ordinary Shares on the date on which the register of members of the Company is updated, the Company taking reasonable actions to update the register of members on the same date the Insider Warrant was surrendered and payment of the Warrant Price was made, irrespective of the date of delivery of such certificate, except that, if the date of such surrender and payment is a date when the register of members of the Company is closed, such person shall become the holder of such Ordinary Shares on the next succeeding date on which the register of members is open and updated.

3.4 *No Cash Settlement.* Notwithstanding anything to the contrary contained in this Agreement, under no circumstances will the Company be required to net cash settle the exercise of the Insider Warrants. As a result, any or all of the Insider Warrants may expire worthless.

4. *Adjustments.*

4.1 *Stock Dividends; Sub-Divisions.* If after the date hereof, and subject to the provisions of Section 4.6, the number of issued and outstanding Ordinary Shares is increased by a stock dividend payable in Ordinary Shares, or by a sub-division of Ordinary Shares, or other similar event, then, on the effective date of such stock dividend, sub-division or similar event, the number of Ordinary Shares issuable on exercise of each Insider Warrant shall be increased in proportion to such increase in outstanding Ordinary Shares.

4.2 *Aggregation of Shares.* If after the date hereof, and subject to the provisions of Section 4.6, the number of outstanding Ordinary Shares is decreased by a consolidation, combination, reverse share split or reclassification of Ordinary Shares or other similar event, then, on the effective date of such consolidation, combination, reverse share split, reclassification or similar event, the number of Ordinary Shares issuable on exercise of each Insider Warrant shall be decreased in proportion to such decrease in outstanding Ordinary Shares.

4.3 *Adjustments in Warrant Price.* Whenever the number of Ordinary Shares purchasable upon the exercise of the Insider Warrants is adjusted, as provided in Sections 4.1 and 4.2 above, each of the Warrant Price and the Floor Price shall be adjusted (to the nearest cent) by multiplying such Warrant Price and Floor Price, as the case may be, immediately prior to such adjustment by a fraction (x) the numerator of which shall be the number of Ordinary Shares purchasable upon the exercise of the Insider Warrants immediately prior to such adjustment and (y) the denominator of which shall be the number of Ordinary Shares so purchasable immediately thereafter.

4.4 *Replacement of Securities upon Reorganization, etc.* In case of any reclassification or reorganization of the outstanding Ordinary Shares (other than a change covered by Section 4.1 or 4.2 hereof or that solely affects the nominal value of such Ordinary Shares), or in the case of any merger or consolidation of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Ordinary Shares), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Insider Warrant holders shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Insider Warrants and in lieu of the Ordinary Shares of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, by an Insider Warrant holder of the number of Ordinary Shares of the Company obtainable upon exercise of the Insider Warrants immediately prior to such event; and if any reclassification also results in a change in Ordinary Shares covered by Sections 4.1 or 4.2, then such adjustment shall be made pursuant to Sections 4.1, 4.2, 4.3 and this Section 4.4. The provisions of this Section 4.4 shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

4.5 *Notices of Changes in Warrant.* Upon the occurrence of any event specified in Sections 4.1, 4.2, 4.3 or 4.4, then, in any such event, the Company shall give written notice to the Insider Warrant holder, at the last address set forth for such holder in the Insider Warrant Register, of the record date or the effective date of the event. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such event.

4.6 *No Fractional Ordinary Shares.* Notwithstanding any provision contained in this Agreement to the contrary, the Company shall not issue fractional Ordinary Shares upon exercise of Insider Warrants. If, by reason of any adjustment made pursuant to this Section 4, the holder of any Insider Warrant would be entitled, upon the exercise of such Insider Warrant, to receive a fractional interest in an Ordinary Share, the Company shall, upon such exercise, round up to the nearest whole number the number of the Ordinary Shares to be issued to the Insider Warrant holder.

4.7 *Form of Warrant.* The forms of Insider Warrants need not be changed because of any adjustment pursuant to this Section 4, and Insider Warrants issued after such adjustment may state the same Warrant Price and the same number of shares as is stated in the Insider Warrants initially issued pursuant to this Agreement. However, the Company may at any time in its sole discretion make any change in the form of Insider Warrant that it may deem appropriate and that does not affect the substance thereof, and any Insider Warrant thereafter issued, whether in exchange or substitution for an outstanding Insider Warrant or otherwise, may be in the form as so changed.

4.8 *Notice of Certain Transactions.* In the event that, from and after the consummation of the transactions contemplated by the Purchase Agreements and all related transactions, the Company shall propose to (a) offer the holders of its Ordinary Shares rights to subscribe for or to purchase any securities convertible into Ordinary Shares or shares of any class or any other securities, rights or options, (b) issue any rights, options or warrants entitling the holders of Ordinary Shares to subscribe for Ordinary Shares or (c) make a tender offer, redemption offer or exchange offer with respect to the Ordinary Shares, the Company shall send to the Insider Warrant holders a notice of such proposed action or offer. Such notice shall be mailed. to the Registered Holders at their addresses as they appear in the Insider Warrant Register, which shall specify the record date for the purposes of such dividend, distribution or rights, or the date such issuance or event is to take place and the date of participation therein by the holders of Ordinary Shares, if any such date is to be fixed, and shall briefly indicate the effect of such action on the Ordinary Shares and on the number and kind of any other shares and on other property, if any, and the number of Ordinary Shares and other property, if any, issuable upon exercise of each Insider Warrant and the Warrant Price after giving effect to any adjustment pursuant to this Article 4 which would be required as a result of such action. Such notice shall be given as promptly as practicable after the Board of Directors of the Company (the "Board") has determined to take any such action and (x) in the case of any action covered by clause (a) or (b) above at least ten (10) days prior to the record date for determining the holders of the Ordinary Shares for purposes of such action or (y) in the case of any other such action at least twenty (20) days prior to the date of the taking of such proposed action or the date of participation therein by the holders of Ordinary Shares, whichever shall be the earlier.

4.9 *Other Events.* If any event occurs as to which the foregoing provisions of this Article 4 are not strictly applicable or, if strictly applicable, would not, in the good faith judgment of the Board, fairly and adequately protect the purchase rights of the Registered Holders in accordance with the essential intent and principles of such provisions, then the Board may make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of the Board, to protect such purchase rights as aforesaid.

5. *Transfer and Exchange of Insider Warrants.*

5.1 *Transfer of Insider Warrants.* Prior to the date that the Units to be purchased by the public investors in connection with the Offering separate into Ordinary Shares and Investor Warrants, the Founders' Warrants may be transferred or exchanged only as part of the Unit in which such Insider Warrant is included, and only for the purpose of effecting, or in conjunction with, a transfer or exchange of such Unit. For the avoidance of doubt, each transfer of a Unit on the register relating to such Units shall operate also to transfer the Insider Warrants included in such Unit.

5.2 *Registration of Transfer.* Subject to Section 5.1 above and Section 5.3 below, the Company shall register the transfer, from time to time, of any outstanding Warrant upon the Insider Warrant Register, upon surrender of such Insider Warrant for transfer, properly endorsed with signatures properly guaranteed and accompanied by appropriate instructions for transfer. Upon any such transfer, a new Insider Warrant representing an equal aggregate number of Insider Warrants shall be issued and the old Insider Warrant shall be cancelled by the Company. The Insider Warrants so cancelled shall be delivered to the Company from time to time upon request.

5.3 *Procedure for Surrender of Insider Warrants.* Insider Warrants may be surrendered to the Company, together with a written request for exchange or transfer, and thereupon the Company shall issue in exchange therefor one or more new Insider Warrants as requested by the Registered Holder of the Insider Warrants so surrendered, representing an equal aggregate number of Insider Warrants; *provided, however*, that in the event that an Insider Warrant surrendered for transfer by a holder located in the United States or who is a U.S. Person (as defined under Regulation S) bears a restrictive legend, the Company shall not cancel such Insider Warrant and issue new Insider Warrants in exchange therefor until the Company has received an opinion of U.S. counsel to the Company stating that such transfer may be made and indicating whether the new Insider Warrants must also bear a restrictive legend. Upon any such registration of transfer, the Company shall execute, and the Company shall deliver, in the name of the designated transferee a new Insider Warrant certificate or Insider Warrant certificates of any authorized denomination evidencing in the aggregate a like number of unexercised Insider Warrants.

5.4 *Fractional Insider Warrants.* The Company shall not be required to effect any registration of transfer or exchange which will result in the issuance of an Insider Warrant certificate for a fraction of an Insider Warrant.

5.5 *Warrant Execution.* The Company is hereby authorized to execute and to deliver, in accordance with the terms of this Agreement, the Insider Warrants required to be issued pursuant to the provisions of this Section 5, and the Company, whenever required by the Company, will supply the Company with Insider Warrants duly executed on behalf of the Company for such purpose.

6. *Redemption.*

6.1 *Redemption.* Subject to Section 6.4 hereof, not less than all of the outstanding Insider Warrants may be redeemed, at the option of the Company, at any time after they become exercisable and prior to their expiration, at the office of the Company, upon the notice referred to in Section 6.2, at the price of €0.01 per Warrant (the "Redemption Price"), *provided, however*, that the last sales price of the Ordinary Shares has been equal to or greater than the Floor Price, on each of twenty (20) trading days within any thirty (30) trading day period ending on the third Business Day prior to the date on which notice of redemption is given; and *provided further*, however, that with respect to the Founders' Warrants and the Sponsors' Warrants, such redemption right shall not be applicable so long as the Insider Warrants are held by any of the Founders or their Permitted Transferees. In the event the Company calls the Insider Warrants for redemption pursuant to this Section 6.1, the Company shall have the option to require all (but not part) of the holders of those Insider Warrants to exercise the Insider Warrants on a cashless basis. If the Company requires holders of the Insider Warrants to exercise the Insider Warrants on a cashless basis, the holder of such Insider Warrants shall pay the Warrant Price by surrendering such Insider Warrants for that number of Ordinary Shares equal to the quotient obtained by dividing (x) the product of the number of Ordinary Shares underlying the Insider Warrants, multiplied by the difference between the Warrant Price of the Insider Warrants and the Redemption Fair Market Value by (y) the Redemption Fair Market Value.

6.2 *Date Fixed for, and Notice of, Redemption.* In the event the Company shall elect to redeem all of the Insider Warrants permitted to be redeemed pursuant to Section 6.1 (the ''Redeemable Warrants"), the Company shall fix a date for the redemption (the "Redemption Date"). Notice of redemption shall be mailed by first class mail, postage prepaid, by the Company not less than thirty (30) days prior to the Redemption Date to the Registered Holders of the Redeemable Warrants at their last addresses as they shall appear on the registration books. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date sent whether or not the Registered Holder received such notice.

6.3 *Exercise After Notice of Redemption.* The Redeemable Warrants may be exercised, for cash or on a "cashless basis", in accordance with Section 3 of this Agreement at any time after notice of redemption shall have been given by the Company pursuant to Section 6.2 hereof and prior to the time and date fixed for redemption. On and after the Redemption Date, the record holder of the Redeemable Warrants shall have no further rights except to receive the Redemption Price upon surrender of the Redeemable Warrants.

6.4 *Outstanding Warrants Only.* The Company understands that the redemption rights provided for by this Section 6 apply only to outstanding Redeemable Warrants. To the extent a person holds rights to purchase Redeemable Warrants, such purchase rights shall not be extinguished by redemption. However, once such purchase rights are exercised, the Company may redeem the Redeemable Warrants issued upon such exercise provided that the criteria for redemption are met, including the opportunity of the Redeemable Warrant holders to exercise prior to redemption pursuant to Section 6.3.

6.5 *Mandatory Redemption in Connection with Acquisition.*

6.5.1 *Mandatory Redemption.* Notwithstanding anything to the contrary set forth in this Agreement, immediately following the consummation of the Acquisition, 50% of all of the issued and outstanding Insider Warrants held by each Registered Holder at the close of business on the date immediately preceding the date on which the consummation of the Acquisition occurs (the "Mandatory Redemption Date"), shall, automatically and without any action by such Registered Holder, be redeemed in exchange for one Ordinary Share for each 10.36705 Warrants so redeemed ("Redemption Shares"; the total number Redemption Shares necessary to effect the Mandatory Redemption of all of the issued and outstanding Insider Warrants is referred to as the "Redemption Consideration"). Notwithstanding anything to the contrary set forth in this Agreement, the Company shall not be required to provide notice to Registered Holders prior to or in connection with the consummation of the Mandatory Redemption. Insider Warrants redeemed under this Section 6.5.1 are referred to as "Mandatorily Redeemed Warrants."

6.5.2 *Segregation of Redemption Consideration.* On the Mandatory Redemption Date, the Company shall segregate and hold in trust a number of Redemption Shares sufficient to pay the Redemption Consideration. In lieu of delivering certificates representing the Redemption Shares issuable upon consummation of the Mandatory Redemption, provided the Company's transfer agent has the facilities to do so, the Company shall use its reasonable efforts to cause its transfer agent to electronically transmit the Redemption Shares issuable upon consummation of the Mandatory Redemption to the Depositary.

6.5.3 *Surrender of Warrant Certificate.* To effect the Mandatory Redemption of Insider Warrants, on the Mandatory Redemption Date, the Company shall, automatically and without any action by a Registered Holder, with respect to each Registered Holder, (a) deduct from the Insider Warrant Register such number of Insider Warrants that constitutes 50% of all of the Insider Warrants held by such Registered Holder and (b) cancel Warrant Certificates held by such Registered Holder to the extent such Warrant Certificates evidence Mandatorily Redeemed Warrants. The Registered Holder shall surrender the Warrant Certificate evidencing any Mandatorily Redeemed Warrants at the office of the Company (with, if the Company so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company duly executed by, the Registered Holder thereof or the Registered Holder's attorney duly authorized in writing) as a condition to receiving any Redemption Shares. Upon surrender of any such Warrant Certificate, a new Warrant Certificate for the number of unredeemed Insider Warrants shall be executed by the Company and delivered to the Registered Holder of such Warrant Certificate at the address specified on the books of the Company or as otherwise specified by such Registered Holder. Notwithstanding anything to the contrary set forth herein, physical surrender of Warrant Certificates evidencing Mandatorily Redeemed Warrants shall only be a condition to a Registered Holder's receipt of Redemption Shares and shall not be a condition to the Company's consummation of the Mandatory Redemption with respect to any such Insider Warrants.

6.5.4 *Fractional Warrants and Redemption Shares.* Consummation of the Mandatory Redemption shall not result in any Registered Holder receiving any fractional Redemption Shares. Each Registered Holder shall receive a cash payment in lieu of any fractional Redemption Shares to which such Registered Holder would otherwise be entitled as a result of the Mandatory Redemption equal to the fractional Redemption Share interest to which the Registered Holder would otherwise be entitled multiplied by €10.00.

6.5.5 *Miscellaneous.*

(i) The Company will pay all documentary stamp or other taxes or governmental charge attributable to the initial issuance of Ordinary Shares upon the Mandatory Redemption of Insider Warrants; *provided*, *however*, that the Company shall not be required to pay any stamp or other tax or governmental charge required to be paid in connection with any transfer involved in the issue of the Ordinary Shares in a name other than that of the Registered Holder of a Warrant Certificate surrendered upon the Mandatory Redemption of Insider Warrants; and in the event that any such transfer is involved, the Company shall not be required to issue or deliver any Ordinary Shares until such tax or other charge shall have been paid or it has been established to the Company's satisfaction that no such tax or other charge is due.

(ii) Subject to Section 7.4 of this Agreement, and notwithstanding the foregoing, the Company shall not be obligated to deliver any Ordinary Shares pursuant to the Mandatory Redemption of an Insider Warrant unless (A) the Ordinary Shares have been registered or qualified or deemed to be exempt under the securities laws of the jurisdiction or state of residence of the holders of the Insider Warrants, (B) a registration statement under the Act with respect to the Ordinary Shares is effective or (C) in the opinion of U.S. counsel to the Company, the Mandatory Redemption of the Insider Warrants is exempt from the registration requirements of the Act and such Ordinary Shares are qualified for sale or exempt from qualification under applicable securities laws of jurisdictions in which the Registered Holders reside.

(iii) All Ordinary Shares issued upon the Mandatory Redemption of an Insider Warrant in conformity with this Agreement shall be validly issued, fully paid and nonassessable.

7. *Other Provisions Relating to the Rights of Holders of Insider Warrants.*

7.1 *No Rights as Shareholder.* An Insider Warrant does not entitle the Registered Holder thereof to any of the rights of a shareholder of the Company, including, without limitation, the right to receive dividends, or other distributions, exercise any preemptive rights to vote or to consent or to receive notice as shareholders in respect of the meetings of shareholders or the election of directors of the Company or any other matter.

7.2 *Lost, Stolen, Mutilated, or Destroyed Warrants.* If any Insider Warrant is lost, stolen, mutilated, or destroyed, the Company and the Company may on such terms as to indemnity or otherwise as they may in their discretion impose (which shall, in the case of a mutilated Insider Warrant, include the surrender thereof), issue a new Insider Warrant of like denomination, tenor, and date as the Insider Warrant so lost, stolen, mutilated or destroyed. Any such new Insider Warrant shall constitute a substitute contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated, or destroyed Insider Warrant shall be at any time enforceable by anyone.

7.3 *Reservation of Ordinary Shares.* The Company shall at all times reserve and keep available a number of its authorized but unissued Ordinary Shares that will be sufficient to permit the exercise in full of all outstanding Insider Warrants issued pursuant to this Agreement.

7.4 *Registration and Listing of Ordinary Shares.* Subject to the discretion of the Board, the Insider Warrants shall not be exercisable and the Company shall not be obligated to issue Ordinary Shares unless, at the time a holder seeks to exercise the Insider Warrants, a prospectus relating to Ordinary Shares issuable upon exercise of the Insider Warrants is current and the Ordinary Shares have been registered or qualified or deemed to be exempt under the securities laws of the jurisdiction or state of residence of the holder of the Insider Warrants. The Company shall use reasonable best efforts to cause the Ordinary Shares issuable upon exercise of the Insider Warrants to be listed on Euronext Amsterdam.

8. *Miscellaneous Provisions.*

8.1 *Payment of Taxes.* The Company shall from time to time promptly pay all taxes and charges that may be imposed upon the Company in respect of the issuance or delivery of Ordinary Shares upon the exercise of the Insider Warrants, but the Company shall not be obligated to pay any transfer taxes in respect of the Insider Warrants or such Ordinary Shares.

8.2 *Further Assurances.* The Company agrees to perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required for the carrying out or performing of the provisions of this Agreement.

8.3 *Successors.* All the covenants and provisions of this Agreement by or for the benefit of the Company and the Founders shall bind and inure to the benefit of their successors and assigns.

8.4 *Notices.* Any notice, statement or demand authorized by this Agreement to be given or made by the Company or by the holder of any Insider Warrant to or on the Company shall be sufficiently given when so delivered if by hand or overnight delivery or if sent by certified mail or private courier service within five (5) days after deposit of such notice, postage prepaid, addressed (until another address is filed in writing with the Company), as follows:

Liberty Acquisition Holdings (International) Company
Bison Court, Road Towns
Tortola, BVI, VG1110
Attn: Nicolas Berggruen

with a copy to:

Greenberg Traurig, LLP
200 Park Avenue
New York, NY 10166
Facsimile: (212) 801-6400
Attn: Alan Annex, Esq.

and to the Founders:

Liberty Acquisition Holdings (International) Company
Bison Court, Road Towns
Tortola, BVI, VG1110
Attn: Nicolas Berggruen

8.5 *Applicable Law.* This Agreement and the Insider Warrants shall be governed by, and construed in accordance with, the laws of the Cayman Islands. The parties hereby submit to the non-exclusive jurisdiction of the Cayman Islands. Any such process or summons to be served upon the parties may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8.4 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company or, as the case may be, the holders of the Insider Warrants, in any action, proceeding or claim.

8.6 *Persons Having Rights under this Agreement.* Nothing in this Agreement expressed and nothing that may be implied from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any person or corporation other than the parties hereto any right, remedy or claim under or by reason of this Agreement or of any covenant, condition, stipulation, promise or agreement hereof. All covenants, conditions, stipulations, promises and agreements contained in this Agreement shall be for the sole and exclusive benefit of the parties hereto and their successors and assigns.

8.7 *Examination of the Warrant Agreement.* A copy of this Agreement shall be available at all reasonable times at the office of the Company for inspection by the Registered Holder of any Insider Warrant.

8.8 *Counterparts.* This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument.

8.9 *Effect of Headings.* The Section headings herein are for convenience only and are not part of this Agreement and shall not affect the interpretation hereof.

8.10 *Amendments.* This Agreement may be amended by the parties hereto without the consent of any holders of Company Warrants for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein or adding or changing any other provisions with respect to matters or questions arising under this Agreement as the parties may deem necessary or desirable and that the parties deem shall not adversely affect the interest of the holders of the Company Warrants. All other modifications or amendments, including any amendment to change the Warrant Price or shorten the Exercise Period, shall require the written consent of the holders of a majority of the then outstanding Insider Warrants and Investor Warrants, respectively, and the approval of the independent directors of the Board. Notwithstanding the foregoing, the Company may lower the Warrant Price or extend the duration of the Exercise Period in accordance with Sections 3.1 and 3.2, respectively, without the consent of the holders of the Company Warrants. In addition, if requested by a majority of the then outstanding Insider Warrants, this Agreement may be amended, or superseded by a new agreement, to provide for book-entry interests if the Insider Warrants are approved by Euroclear Nederland for inclusion in the Euroclear Nederland book entry system; *provided, however*, that such Insider Warrants are not listed on Euronext Amsterdam. In the event of any amendment, modification or waiver, the Company shall give prompt notice thereof to all Insider Warrant holders in accordance with applicable laws, rules and regulations, and, if appropriate, notation thereof shall be made on any Investor Warrant Certificate thereafter surrendered for registration of transfer or exchange.

8.11 *Severability.* This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

8.12 *Entire Agreement.* This Agreement constitutes the entire understanding of the parties and supersedes all prior agreements, understandings, arrangements, promises and commitments, whether written or oral, express or implied, relating to the subject matter hereof, and all such prior agreements, understandings, arrangements, promises and commitments are hereby cancelled and terminated. Specifically, the Original Insider Warrant Agreement is hereby superseded in full by this Agreement and all rights and obligations under the Original Insider Warrant Agreement are hereby terminated.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto on date first above written.

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

By: _____

Name: Nicolas Berggrucn
Title: Director

BERGGRUEN ACQUISITION HOLDINGS II LTD,

By: _____

Name: Nicolas Bergeruen
Title: Director

MARLIN EQUITIES IV, LLC

By: _____

Name: Ian Ashken
Title: Authorized Signatory

_____

Name: Miguel Pais do Amaral

_____

Name: Dimitri Goulandris

Exhibit A

Form of Insider Warrant

THE SECURITIES REPRESENTED BY THIS WARRANT CERTIFICATE (INCLUDING THE SECURITIES ISSUABLE UPON EXERCISE OF THE WARRANT) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE TRANSFERRED IN VIOLATION OF SUCH ACT AND LAWS, OR AN EXEMPTION FROM REGISTRATION THEREFROM.

THE SECURITIES REPRESENTED BY THIS WARRANT CERTIFICATE (INCLUDING THE SECURITIES ISSUABLE UPON THE EXERCISE OF THE WARRANT) ARE SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AND THE TERMS AND CONDITIONS SET FORTH IN THE AMENDED AND RESTATED INSIDER WARRANT AGREEMENT DATED ON , 2009 (THE "AMENDED AND RESTATED INSIDER WARRANT AGREEMENT") AND A LETTER AGREEMENT. COPIES OF SUCH AGREEMENTS MAY BE OBTAINED BY THE HOLDER HEREOF AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS WITHOUT CHARGE.

SPECIMEN WARRANT CERTIFICATE

NUMBER_____ _____ WARRANTS

THIS WARRANT WILL BE VOID IF NOT EXERCISED PRIOR TO 5:00 P.M. AMSTERDAM (CENTRAL EUROPEAN) TIME, ON THE EXPIRATION DATE

LIBERTY ACQUISITION HOLDINGS (INTERNATIONAL) COMPANY

ISIN _____

INSIDER WARRANT

THIS CERTIFIES THAT, for value received

is the Registered Holder of an Insider Warrant or Insider Warrants expiring on the Expiration Date (unless earlier redeemed in accordance with the terms hereof) (the "Warrant") to purchase one fully paid and non-assessable Ordinary Share with a nominal value of €0.0001 per share, of Liberty Acquisition Holdings (International) Company (formerly known as Liberty International Acquisition Company), an exempted Cayman Islands limited liability company (the "Company"), for each Insider Warrant evidenced by this Warrant Certificate. The Insider Warrant entitles the holder thereof to purchase from the Company, commencing on the Company's completion of a business combination with a target business, such number of Ordinary Shares of the Company at the price of €11.00 per share, upon surrender of this Warrant Certificate and payment of the Warrant Price at the office or agency of the Company, but only subject to the conditions set forth herein and in the Amended and Restated Insider Warrant Agreement among the Company and the holders thereof. The Amended and Restated Insider Warrant Agreement provides that upon the occurrence of certain events the Warrant Price and the number of Ordinary Shares purchasable hereunder, set forth on the face hereof, may, subject to certain conditions, be adjusted. The term Warrant Price as used in this Warrant Certificate refers to the price per Ordinary Share at which Ordinary Shares may be purchased at the time the Insider Warrant is exercised.

No fraction of an Ordinary Share will be issued upon any exercise of an Insider Warrant. If, upon exercise of an Insider Warrant, a holder would be entitled to receive a fractional interest in an Ordinary Share, the Company shall, upon exercise, round up to the nearest whole number the number of Ordinary Shares to be issued to the Insider Warrant holder.

Upon any exercise of the Insider Warrant for less than the total number of Ordinary Shares provided for herein, there shall be issued to the Registered Holder hereof or his assignee a new Warrant Certificate covering the number of Ordinary Shares for which the Insider Warrant has not been exercised.

Warrant Certificates, when surrendered at the office of the Company by the Registered Holder hereof in person or by attorney duly authorized in writing, may be exchanged in the manner and subject to the limitations provided in the Amended and Restated Insider Warrant Agreement, but without payment of any service charge, for another Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Insider Warrants.

Upon due presentment for registration of transfer of the Warrant Certificate at the office or agency of the Company, a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Insider Warrants shall be issued to the transferee in exchange for this Warrant Certificate, subject to the limitations provided in the Amended and Restated Insider Warrant Agreement, without charge except for any applicable tax or other governmental charge.

The Company may deem and treat the Registered Holder as the absolute owner of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, of any distribution to the Registered Holder, and for all other purposes, and the Company shall not be affected by any notice to the contrary.

This Insider Warrant does not entitle the Registered Holder to any of the rights of a shareholder of the Company.

Subject to Section 6.4 of the Amended and Restated Insider Warrant Agreement, the Company may redeem all, but not less than all, of the Insider Warrants, at the option of the Company, at any time after the Insider Warrants become exercisable and prior to their expiration, at the office of the Company, upon the notice referred to in Section 6.2 of the Amended and Restated Insider Warrant Agreement, at the price of €0.01 per Insider Warrant (the "Redemption Price"), *provided, however*, that the last sales price of the Ordinary Shares has been equal to or greater than the Floor Price, on each of twenty (20) trading days within any thirty (30) trading day period ending on the third business day prior to the date on which notice of redemption is given; and *provided further*, however, that with respect to the Founders' Warrants and the Sponsors' Warrants, such redemption right shall not be applicable so long as the Insider Warrants are held by any of the Founder or its Permitted Transferees. In the event the Company calls the Insider Warrants for redemption pursuant to Section 6.1 of the Amended and Restated Insider Warrant Agreement, the Company shall have the option to require all (but not part) of the holders of those Insider Warrants to exercise the Insider Warrants on a cashless basis. If the Company requires holders of the Insider Warrants to exercise the Insider Warrants on a cashless basis, the holder of such Insider Warrants shall pay the Warrant Price by surrendering such Insider Warrants for that number of Ordinary Shares equal to the quotient obtained by dividing (x) the product of the number of Ordinary Shares underlying the Insider Warrants, multiplied by the difference between the Warrant Price of the Insider Warrants and the Redemption Fair Market Value (defined below) by (y) the redemption fair market value. The "Redemption Fair Market Value" shall mean the average reported last sale price of the Ordinary Shares for the ten (10) consecutive trading days ending on the third trading day prior to the date on which the notice of redemption is sent to holders of the Insider Warrants. Any Insider Warrant either not exercised or tendered back to the Company by the end of the date specified in the notice of redemption shall be canceled on the books of the Company and have no further value except for the €0.01 redemption price.

This Insider Warrant shall be governed by, and construed in accordance with, the laws of the Cayman Islands. Capitalized terms used herein but not defined shall have the meaning set forth in the Amended and Restated Insider Warrant Agreement.

By: _____ _____

Name: Name:

Title: Title:

ELECTION TO PURCHASE

To Be Executed by the Registered Holder in Order to Exercise Warrants

The undersigned Registered Holder irrevocably elects to exercise Warrants represented by this Warrant Certificate, and to purchase the Ordinary Shares issuable upon the exercise of such Warrants, and requests that Certificates for such shares shall be issued in the name of

(PLEASE TYPE OR PRINT NAME AND ADDRESS)

(SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER)

and be delivered to

(PLEASE PRINT OR TYPE NAME AND ADDRESS)

and, if such number of Warrants shall not be all the Warrants evidenced by this Warrant Certificate, that a new Warrant Certificate for the balance of such Warrants be registered in the name of, and delivered to, the Registered Holder at the address stated below:

Dated:

(SIGNATURE)

(ADDRESS)

(TAX IDENTIFICATION NUMBER)

ASSIGNMENT

(PLEASE TYPE OR PRINT NAME AND ADDRESS)

(SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER)

and be delivered to _____

(PLEASE PRINT OR TYPE NAME AND ADDRESS)

of the Warrants represented by this Warrant Certificate, and hereby irrevocably constitutes and appoints Attorney to transfer this Warrant Certificate on the books of the Company, with full power of substitution in the premises.

Dated: _____ _____

(SIGNATURE)

THE SIGNATURE TO THE ASSIGNMENT OF THE SUBSCRIPTION FORM MUST CORRESPOND TO THE NAME WRITTEN UPON THE FACE OF THIS WARRANT CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY A COMMERCIAL BANK OR TRUST COMPANY OR A MEMBER FIRM OF THE AMERICAN STOCK EXCHANGE, NEW YORK STOCK EXCHANGE, PACIFIC STOCK EXCHANGE OR CHICAGO STOCK EXCHANGE, OR NYSE EURONEXT.