O-RE HOLDINGS UK LIMITED

(Company Registration Number: 5997394)

REPORT AND ACCOUNTS
For the year ended 31 December 2008

REPORT AND ACCOUNTS 2008

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Registered Office:

Watson House
54 Baker Street
London
W1U 7BU

Company Registration No: 5997394

BOARD OF DIRECTORS

M Dale
Director

H E M Osmond
Director

Lord E A C Spencer Churchill
Director

E J C Hawkes
Alternate Director (alternate to Lord E A C Spencer Churchill)

B J Thompson
Alternate Director (alternate to M Dale)

Company Secretary

G A Watson

DIRECTORS' REPORT

The directors have pleasure in presenting the consolidated Report and Accounts of O-Re Holdings UK Limited and its subsidiary undertakings ("the Group") for the year ended 31 December 2008.

Post balance sheet events

On 24 June 2009, the directors of the Company approved the disposal of the Group's investment in Opal Reassurance Limited in exchange for shares in Liberty Acquisitions Holdings (International) Company ("Liberty"), a company listed on the Euronext exchange.

The Group will receive an initial consideration of 2.48m Ordinary B Shares of Liberty. These shares are deemed to have a fair value of £8.17 per share giving consideration of £20.3m. The Group will also receive further consideration in the form of contingent consideration of 2.1m Ordinary B Shares. The receipt of these shares is contingent on the future performance of the Liberty share price. As a result of this the Company has impaired its investment in its subsidiary undertaking, O-Re Holdings (Netherlands) BV, the parent company of Opal Reassurance Limited, to £20.3m.

On the same date, the directors of the Company also approved the disposal of its investment in Axial Investment Management Limited to Pearl Group Limited for consideration of £1. As a result of this the Company has impaired its investment in Axial Investment Management Limited to £1.

Both of these disposals completed on 2 September 2009.

On 24 November 2009, the directors of the Company reached agreement with the providers of the loan finance ("Lenders") that interest will cease to accrue and there will be no capital repayments in the period to 31 December 2010, in relation to the £52.5m and £20.0m loan facilities (see note 12). The Lenders have also agreed to endeavour to reach agreement that will see the Lenders accept the shares held in Liberty following the disposal of Opal Reassurance Limited as full and final settlement of the loan facilities.

Principal activities and future developments

The principal activity of O-Re Holdings UK Limited ("the Company") and its subsidiaries is the reinsurance of pension annuities. All reinsurance activities take place in Bermuda. Following the decision to dispose of Opal Reassurance Limited and Axial Investment Management Limited, the principal activity of the Company and its subsidiary, going forward will be to receive returns on its investments, primarily the shares in Liberty.

Strategy

The strategy of the Group during the year ended 31 December 2008 was to be a leading reinsurer of bulk pension annuities. Following the decision to dispose of the investments in Opal Reassurance Limited and Axial Investment Management Limited, the strategy of the company will be to maximise the returns on the investment that it will hold in Liberty.

Principal risks and uncertainties

The risk management objectives and policies of the Group are primarily focused on managing its financial, legal, operational and insurance risks and on protecting the Group's ability to meet its cash flow requirements. The main risks facing the Group during the year ended 31 December 2008 were:

- credit risk, arising from the default of the counterparty to a particular financial asset;
- market risk, since changes in the fair value of future cash flows of financial instruments can arise from changes to interest rates, equity and property prices or foreign currency exchange rates;
- liquidity risk, arising from insufficient assets to meet payment obligations; and
- insurance risk, since improvements in longevity will increase the reserves required for the Group's reinsurance obligations.

The Group's exposure to all these risks is monitored by the directors primarily through the Opal Risk Management Committee. This committee meets regularly to agree policies for managing each of these risks on an ongoing basis.

DIRECTORS' REPORT (continued)

Performance during 2008

The Group generated a loss before taxation for the year ended 31 December 2008 of £68.0m (13.5 month period ended 31 December 2007: £2.5m). This loss comprised a loss before taxation of £69.0m (13.5 month period ended 31 December 2007: Profit £3.0m) from the long-term funds of the Group and a profit before taxation of £1.0m (13.5 month period ended 31 December 2007: loss of £5.5m) from the Group's shareholder assets. The long-term funds loss before taxation of £69.0m represents shortfalls in investment returns against the claims paid which have arisen as a result of the strains from investment movements in the period from falls in equity and property prices and from the widening of credit spreads.

The profit attributed to the shareholder assets primarily reflects bank interest received of £2.0m (2007: £1.9m) partially offset by interest expense on the loan finance provided of £1.6m (2007: £6.5m).

The consolidated cash flow statement of the Group reported a decrease in net cash during the year ended 31 December 2008 of £18.3m (13.5 month period ended 31 December 2007: increase of £44.8m). This decrease in cash primarily represents a net cash outflow of £40.9m resulting from the operating activities of the Group, partially offset by additional loan finance of £20.0m and bank interest of £2.0m being received in the year.

Dividends

No dividends were paid or recommended in the year ended 31 December 2008 (13.5 month period ended 31 December 2007: £Nil).

Position as at 31 December 2008

The consolidated net liabilities of the Group at 31 December 2008 were £60.4m (2007: £2.0m).

The accounts have been prepared on a going concern basis. The directors intend to continue to exercise their rights within the £52.5m and the £20.0m loan facilities (see note 12) to capitalise interest payable on these loans. The directors have also reached agreement with the providers of the loan finance that interest will cease to accrue and there will be no capital repayments as discussed in the post balance sheet events section. Following a review of the cash flow forecasts of the Company, the directors have a reasonable expectation that the Company will have adequate resources to meet its net current liabilities as they fall due for the foreseeable future.

Key Performance Indicators ("KPIs")

The Group's performance is measured and monitored by the Board with reference to the following KPIs:

Profit before tax
The Group aims to maximise the generation of profits in its subsidiary undertakings in order to satisfy its interest obligations and to achieve its aim of maximising shareholder value.

During the year, the Group reported a loss of £68.0m on ordinary activities before taxation. No ordinary dividends have been declared by any companies in the Group.

Cash flows
Cash flows of the Group are closely monitored by the Board to ensure that its obligations can be met as they fall due.

At 31 December 2008 the cash flows of the Group indicate that the Group will have sufficient cash flows to meet their obligations for the foreseeable future.

DIRECTORS' REPORT (continued)

Key Performance Indicators ("KPIs") (continued)

Reassurance arrangements
The reassurance arrangements require Opal Reassurance Limited to maintain asset positions that are at least 102% of its best estimate long term business liability. Both assets and liabilities are reviewed regularly by the Board of Opal Reassurance Limited.

At 31 December 2008 the asset positions had fallen below the required 102%. The Board of Opal Reassurance Limited are continuing to monitor the situation and are working closely with the cedant undertaking to develop a mutually agreeable position.

Share capital

Details of movements in allocated share capital during the year are given in note 8 on the accounts.

Directors and their interests

The names of the directors as at the date of this report are set out on page 2. Additional information in relation to changes in Directors and Alternate Directors is as follows:

W A McIntosh	Resigned 29 September 2009
M C Allen (Alternate Director)	Resigned 29 September 2009

Audit information

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board of Directors

G A Watson
Secretary
30 November 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and group and parent company financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 Group 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 the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS OF O-RE HOLDINGS UK LIMITED

We have audited the group and parent company financial statements ("the financial statements") of O-Re Holdings UK Limited for the year ended 31st December 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. 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 auditor's 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 Directors' report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

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 consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the 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 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 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.

REPORT OF THE AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS OF O-RE HOLDINGS UK LIMITED (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK 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.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

30 November 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Technical account for long term business
For the year ended 31 December 2008

	Notes	Year ended 31 Dec 08 £m	13.5 month period ended 31 Dec 07 £m
Earned premiums, net of reinsurance			
Gross premiums written	2	-	3,855.0
Unrealised gains on investments	3	175.9	98.8
Total technical income		175.9	3,953.8
Claims incurred, net of reinsurance			
Claims paid – gross amount		(300.9)	(306.2)
Change in other technical provisions			
Change in long term business provision		56.0	(3,644.6)
Taxation charge attributable to the long term business		-	-
Total technical charges		(244.9)	(3,950.8)
Balance on the technical account – long term business		(69.0)	3.0

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED)
Non-technical account
For the year ended 31 December 2008

	Notes	Year ended 31 Dec 08 £m	13.5 month period ended 31 Dec 07 £m
Balance on the long term business technical account		(69.0)	3.0
Tax attributable to balance on long term business technical account	4	-	-
		(69.0)	3.0
Investment income	3	2.0	1.9
Investment expenses and charges	3	(1.6)	(6.5)
Other charges	1.1	(1.1)	(1.5)
Operating loss on ordinary activities		(69.7)	(3.1)
Share of operating profit in associated undertaking	6.1(a)	1.7	0.6
Loss on ordinary activities before taxation		(68.0)	(2.5)
Taxation on loss on ordinary activities	4	(0.1)	-
Loss on ordinary activities after taxation		(68.1)	(2.5)
Minority interests		9.7	0.4
Loss on ordinary activities attributable to shareholders		(58.4)	(2.1)

All activities relate to continuing operations.

There are no recognised gains or losses other than the loss on ordinary activities shown above and hence no Consolidated Statement of Total Recognised Gains and Losses is presented.

CONSOLIDATED BALANCE SHEET
Assets
At 31 December 2008

	Notes	31 Dec 08	31 Dec 07
		£m	£m
Investments			
Investments in participating interests			
Investment in associated undertaking	6.1(a)	2.9	1.7
Other financial investments	6.1(b)	1.5	41.8
Deposits with cedant undertakings	6.1(c)	3,561.0	3,655.2
		3,565.4	3,698.7
Debtors			
Other debtors		10.2	0.2
Other assets			
Cash at bank and in hand	14.2	25.0	3.0
Total assets		3,600.6	3,701.9

CONSOLIDATED BALANCE SHEET
Liabilities
At 31 December 2008

	Notes	31 Dec 08	31 Dec 07
		£m	£m
Capital and reserves			
Called up share capital	8.2	0.1	0.1
Profit and loss account	9.1	(60.5)	(2.1)
Equity shareholders' funds	9.1	(60.4)	(2.0)
Minority interests		(10.1)	(0.4)
Technical provisions – gross			
Long term business provision – reinsurance contracts	10	3,588.7	3,644.6
Creditors			
Debenture loans	13	80.6	52.5
Other creditors including taxation and social security	13	1.7	0.5
		82.3	53.0
Accruals and deferred income		0.1	6.7
Total liabilities		3,600.6	3,701.9

The accounts were approved by the Board of Directors on 30 November 2009 and signed on its behalf by:

Director

COMPANY BALANCE SHEET
At 31 December 2008

	Notes	31 Dec 08 £m	31 Dec 07 £m
Fixed assets			
Investments in group undertakings and participating interests	6.2	20.3	51.4
Current assets			
Debtors		0.2	0.2
Cash at bank and in hand		1.7	1.3
		1.9	1.5
Creditors: amounts falling due within one year	11	(0.2)	(6.6)
Net current assets/(liabilities)		1.7	(5.1)
Total assets less current liabilities		22.0	46.3
Creditors: amounts falling due after more than one year	12	(80.6)	(52.5)
Net liabilities		(58.6)	(6.2)
Capital and reserves:			
Called up share capital	8.2	0.1	0.1
Profit and loss account	9.2	(58.7)	(6.3)
Shareholders' funds attributable to equity interests	9.2	(58.6)	(6.2)

The accounts were approved by the Board of Directors on 30 November 2009 and signed on its behalf by:

Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2008

	Notes	Year ended 31 Dec 08 £m	13.5 month period ended 31 Dec 07 £m
Operating activities			
Net cash outflow from operating activities	14.1	(40.9)	(8.4)
Returns on investments and servicing of finance			
Interest received		2.0	1.9
Taxation			
Group relief received		0.6	-
Capital expenditure			
Investment in associated undertaking		-	(1.5)
Partial disposal of share in associated undertaking		-	0.2
Net cash outflow from capital expenditure		-	(1.3)
Financing activities			
Issue of ordinary share capital	8.2	-	0.1
Issue of new loans	12	20.0	52.5
Net cash inflow from financing activities		20.0	52.6
(Decrease)/increase in cash	14.3	(18.3)	44.8

ACCOUNTING POLICIES

Basis of presentation

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. 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 accounts have been prepared on a going concern basis as detailed within the position as at 31 December section in the Directors' Report.

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. As permitted by paragraph 202 of the SORP, the liabilities of the overseas reassurance subsidiary of the Group have been calculated on a local basis using International Financial Reporting Standards with required local regulatory adjustments.

No profit and loss account is presented for the Company as permitted by Section 230(4) 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 period during which the group has control. Minority interests represent the equity interests in subsidiaries not held by the Group.

Principal associated undertakings (both associates and joint ventures) are accounted for by the equity method in the consolidated accounts. The results of associated undertakings 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.

Contract classification

All contracts have significant reinsurance risk and are therefore accounted for as reinsurance contracts.

Reinsurance premiums accepted

Reinsurance premiums accepted are recognised as revenue when the contractual obligations are entered into and are classified as single premiums.

Long term reinsurance contract claims

Long term business claims reflect the cost of all claims arising during the year including the cost of settlement.

ACCOUNTING POLICIES (continued)

Long term business provision

The long term business provision for the reinsurance contract 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 interest rate specific to the liabilities as given in note 10.

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. Details of the principal assumptions underlying the long term business provision are given in note 10.

Current asset investments

Current asset investments include deposits with credit institutions and cash at bank and in hand and are designated on initial recognition as at fair value through profit and loss.

Deposits with cedant undertakings

The withheld premium represents reinsurance premiums accepted that remain unsettled at the balance sheet date. The cedant has identified a pool of financial investments equal in value to the initial reinsurance premium over which the Group has a fixed charge. The Group is entitled to the investment return arising on these assets and payments of related annuities and asset management fees are deducted from these assets.

This withheld premium has been designated as at fair value through profit and loss on the basis that this receivable is managed and its performance evaluated on a fair value basis. Gains and losses arising from changes in fair value are included in net profit or loss for the year.

Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received net of expenses, together with any unamortised discount and issue expenses at the balance sheet date. Borrowings are subsequently stated at amortised cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Investment income, realised and unrealised gains and losses on investments

Interest income is recognised as the interest accrues using the effective yield method.

Dividends are included as investment income on the date that the right to receive payment has been established.

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 valuations 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.

ACCOUNTING POLICIES (continued)

Fair value estimation

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

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 profit and loss account.

Expenses and assets are recognised gross of VAT.

The transfer from the long term business account to the non-technical account is grossed up at the local longer term effective rate of corporation tax where appropriate.

Foreign currencies

Transactions in currencies other than the functional currency of the undertaking concerned 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 fund any resulting exchange adjustments are taken to the non-technical account.

Fixed asset investments

Fixed asset investments in the Company balance sheet consist of investments in shares in subsidiary undertakings and participating interests which are included at cost less any provision for impairment where circumstances indicate that the carrying value may not be recoverable.

NOTES TO THE ACCOUNTS

1. Net operating expenses and other charges

1.1 *Other charges*

Other charges in the non-technical account represent administrative costs.

1.2 *Analysis of staff costs and average employee numbers*

Throughout the year ended 31 December 2008, the Group had three (2007: three) employees. These three employees received remuneration in the year of £162,000 (2007: £11,000) with no social security or pension costs.

1.3 *Auditors remuneration*

	Year ended 31 Dec 08	13.5 month period ended 31 Dec 07
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	22	24
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	33	25
Other services pursuant to legislation	-	5
Valuation and actuarial services	5	5
	60	59

Auditors remuneration has been shown gross of any VAT charged.

2. Segmental information – long term business

All reinsurance activities are carried out in Bermuda.

3. Investment return

	Technical account Long term business		Non-technical account	
	Year ended 31 Dec 08	13.5 month period ended 31 Dec 07	Year ended 31 Dec 08	13.5 month period ended 31 Dec 07
	£m	£m	£m	£m
Investment income:				
Income from financial assets at fair value through profit and loss	-	-	2.0	1.9
Unrealised gains on financial assets at fair value through profit and loss	175.9	98.8	-	-
Investment expense on financial liabilities at amortised cost	-	-	(1.6)	(6.5)
Total investment return	175.9	98.8	0.4	(4.6)

NOTES TO THE ACCOUNTS (continued)

4. Taxation

4.1 *Taxation*

	Non-technical account Year ended 31 Dec 08 £m	Non-technical account 13.5 month period ended 31 Dec 07 £m
UK Corporation Tax		
- Attributable to the Group	(0.4)	(0.2)
-Attributable to the associated undertaking	0.5	0.2
Total tax charge	0.1	-

After taking into account the relief to which the Group is entitled, provision for UK corporation tax on the loss has been made at the rate of 28.5% (2007: 30%).

4.2 *Factors affecting tax charge for year*

The standard rate of tax has been determined by using the UK rate enacted for the year for which the losses will be taxed.

The tax assessed in the year is higher than the standard rate of corporation tax in the UK and the differences are explained below:

	Year ended 31 Dec 08 £m	13.5 month period ended 31 Dec 07 £m
Loss on ordinary activities before taxation	(68.0)	(2.5)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(19.3)	(0.8)
Effects of:		
Lower tax rates on overseas earnings	19.4	(1.0)
Movement in unprovided deferred tax	-	1.8
Current tax charge for the period	0.1	-

4.3 *Factors that may affect future tax charges*

£5.9m (2007: £5.9m) of losses are available to offset against future taxable profits. These losses have not been recognised in the balance sheet as further taxable profits against which these losses can be relieved are not yet sufficiently probable.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries on the basis that the Group can control the remittance of dividends and no dividends have been accrued at the balance sheet date.

TES TO THE ACCOUNTS (continued)

5. Directors' emoluments

No Directors have received emoluments in respect of their services to the Group.

6. Investments

6.1 *Group*

(a) *Investment in associated undertaking*

	Share of capital and reserves
	£m
At 1 January 2008	1.7
Share of operating profit for the period	1.7
Share of taxation for the period	(0.5)
At 31 December 2008	2.9

Additional disclosures are given in respect of Axial Investment Management Limited as it exceeds certain thresholds under FRS9 'Associates and Joint Ventures', as follows:

	31 Dec 08	31 Dec 07
	£m	£m
Group share of:		
Turnover	12.3	6.4
Profit before tax	1.7	0.6
Taxation	(0.5)	(0.2)
Profit after tax	1.2	0.4
Fixed assets	1.6	1.6
Current assets	6.9	5.3
Liabilities due within one year	(5.0)	(3.7)
Liabilities due after one year or more	(0.6)	(1.5)

NOTES TO THE ACCOUNTS (continued)

6. INVESTMENTS (continued)

6.1 *Group (continued)*

(b) *Other financial investments*

Other financial investments in the consolidated balance sheet comprise deposits with credit institutions which are designated upon initial recognition as at fair value through profit and loss. These investments have the same fair value and cost.

(c) *Deposits with cedant undertakings*

	31 Dec 08	31 Dec 07
	£m	£m
Withheld premium	3,561.0	3,655.2

On 22 February 2007, reassurance arrangements between the Group and Pearl Assurance plc, London Life Limited and NPI Limited were approved in principle. These reassurance treaties were signed on 25 May 2007 and resulted in the reassurance of the pension annuity in payment liabilities of Pearl Assurance plc, London Life Limited and NPI Limited to the Group, effective from 1 January 2007. The value of the reassured liabilities at the effective date was £3,855.0m.

The terms of the reassurance arrangements ensure that the associated premium remains outstanding but is secured against the underlying investments held by Pearl Assurance plc, London Life Limited and NPI Limited. The value of the withheld premium will therefore reduce as claims are settled.

6.2 *Company*

	Note	31 Dec 08	31 Dec 07
		£m	£m
Investments in subsidiary undertakings	6.2(a)	20.3	50.1
Investments in associated undertaking	6.2(b)	-	1.3
Investments in group undertakings and participating interests		20.3	51.4

NOTES TO THE ACCOUNTS (continued)

6. INVESTMENTS (continued)

6.2 Company (continued)

(a) *Investments in subsidiary undertakings*

	£m
Cost	
At 1 January 2008	50.1
Additions	20.0
At 31 December 2008	70.1
Impairment	
At 1 January 2008	-
Impairment charge	49.8
At 31 December 2008	49.8
Net Book Value	
At 31 December 2008	20.3
At 31 December 2007	50.1

On 29 December 2008, the Company provided finance of £20.0m to Opal Reassurance Limited and received a charge over the assets of Opal Reassurance Limited. On 29 May 2009, this charge was converted into ordinary share capital of O-Re Holdings (Netherlands) BV.

The carrying value of shares in subsidiary undertakings has been tested for impairment at the balance sheet date and an impairment of £49.8m has been recognised to write this asset down to its net realisable value at 31 December 2008 of £20.3m. Net realisable value has been determined as the present value of the proceeds that are certain to be received upon disposal of Opal Reassurance Limited.

On 24 June 2009, the directors of the Company approved the disposal of the Group's investment in Opal Reassurance Limited in exchange for shares in Liberty Acquisitions Holdings (International) Company ("Liberty"), a company listed on the Euronext exchange.

The Group will receive an initial consideration of 2.48m Ordinary B Shares of Liberty. These shares are deemed to have a fair value of £8.17 per share giving consideration of £20.3m. The Group will also receive further consideration in the form of a further 2.1m Ordinary B Shares. The receipt of these shares is contingent on the future performance of the Liberty share price. As a result of this the Company has impaired its investment in its subsidiary undertaking, O-Re Holdings (Netherlands) BV, the parent company of Opal Reassurance Limited, to £20.3m, representing the value of the consideration that is considered certain (see note 17 for full details).

Following the impairment, the Company will not recognise any profit or loss on disposal. All contingent shares will be recognised as profits in the period in which they are received.

NOTES TO THE ACCOUNTS (continued)

6. INVESTMENTS (continued)

6.2 Company (continued

(b) *Investments in associated undertaking*

	£m
Cost	
At 1 January 2008 and 31 December 2008	1.3
Impairment	
At 1 January 2008	-
Impairment charge	1.3
At 31 December 2008	1.3
Net Book Value	
At 31 December 2008	-
At 31 December 2007	1.3

The carrying value of shares in the associated undertaking has been tested for impairment at the balance sheet date and an impairment of £1.3m has been recognised to write this asset down to its net realisable value at 31 December 2008 of £1. On 24 June 2009, the directors of the Company approved the disposal of its investment in Axial Investment Management Limited to Pearl Group Limited for consideration of £1. As a result of this the Company has impaired its investment in Axial Investment Management Limited to £1.

Net realisable value has been determined as the present value of the proceeds that are certain to be received upon disposal of Axial Investment Management Limited.

NOTES TO THE ACCOUNTS (continued)

7. Risk management objectives and policies for mitigating risks

The risk management objectives and policies of the Group are based on the requirement to protect the principal reporting subsidiary's regulatory capital position, thereby safeguarding reinsurance benefits to cedants, 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 shareholders.

In pursuing these goals, the Group deploys financial assets and incurs financial liabilities. Financial assets principally comprise deposits with credit institutions, cash at bank and in hand and a withheld reinsurance premium. Financial liabilities comprise borrowings for financing purposes, trade and other payables.

The use of financial instruments naturally exposes the Group to the risks associated with them, chiefly, credit risk, market risk and liquidity risk. Responsibility for agreeing the financial risk profile rests with the board of the reinsurance company and is managed through the Risk Management Committee. The committee meets regularly and will agree the policies for the management of the risks identified below. There are derivatives held by the cedant within the pool of assets, over which the Group has a fixed charge, that are there to mitigate some of the risks below.

The Group is also exposed to insurance risk arising from its life reassurance business. Life insurance risk in the Group primarily arises through its exposure to longevity.

7.1 Credit risk

Exposure to credit risk arises from counterparties failing to meet all or part of their obligations 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.

The Group's exposure to credit risk is limited to the potential inability of its cedants to honour the withheld premium. The directors of the Group are regularly informed about the performance of cedants investments as prescribed by the terms of the reinsurance treaties and the risk is mitigated by both a fixed charge over a pool of investment assets and the terms of the reinsurance arrangements.

With regard to deposits with credit institutions and cash at bank and in hand, Group practice is to hold cash and deposits with financial institutions and in money market funds that have a Standard and Poor's or Moody's rating of A1, P1 or higher. All financial assets are neither past due nor impaired.

The credit exposure of the financial assets of the Group on the balance sheet as at 31 December 2008 is as follows.

NOTES TO THE ACCOUNTS (continued)

7. Risk management objectives and policies for mitigating risks (continued)

7.1 Credit risk (continued)

31 December 2008	A1+	Non rated	Total exposure to credit risk
	£m	£m	£m
Other financial investments	1.5	-	1.5
Premium withheld by cedant undertakings	-	3,561.0	3,561.0
Other debtors	-	10.2	10.2
Cash	25.0	-	25.0

31 December 2007	A1+	Non rated	Total exposure to credit risk
	£m	£m	£m
Other financial investments	41.8	-	41.8
Premium withheld by cedant undertakings	-	3,655.2	3,655.2
Other debtors	-	0.2	0.2
Cash	3.0	-	3.0

7.2 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 and property prices or foreign currency exchange rates.

The deposits with credit institutions, cash at bank and in hand and financial liabilities of the Group are directly affected by market risk. The impact of market risk on the withheld premium affects the group indirectly as the carrying value of, and return attributed to, the withheld premium is dependent on the cedants' financial investments over which the Group has a fixed charge.

The sensitivity analysis described below represents both the direct and the indirect impacts of market risk on the financial instruments of the Group.

Interest rate risk

Interest rate risk is the risk that the Group will sustain losses in revenue through adverse movements in interest rates, due to the effect such movements have on the value of interest-bearing assets and liabilities.

The Group has no exposure to interest rate risk on the external loan that it has received as the interest rates on this loan are fixed through the life of the loan.

The Group is exposed to interest rate risk indirectly as a result of its cedants holdings in debt instruments over which it holds a fixed charge. The impact of movements in interest rate risk on the withheld premium is largely offset by a direct exposure in the Group to interest rate risk on the carrying value of its long term business provision. There is also an exposure to spread changes affecting the prices of the debt instruments.

The sensitivity analysis for interest rate risk and spread changes indicates how changes in the fair value or future cash flows of a financial investment arising from changes in market interest rates and spread changes 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 and spread changes on all assets and liabilities that contribute to the Group's reported profit before tax and shareholder equity.

NOTES TO THE ACCOUNTS (continued)

7. Risk management objectives and policies for mitigating risks (continued)

7.2 Market risk (continued)

Interest rate risk (continued)

An increase of 1% in interest rates, with all other variables held constant, would result in an increase in profit after tax for a full financial year and an increase in shareholder equity of £3.2m (2007: decrease of £9.2m). A decrease of 1% in interest rates, with all other variables held constant, would result in a decrease in profit after tax for a full financial year and a decrease in shareholder equity of £3.2m (2007: increase of £9.2m). The change in the impact of a 1% movement in interest rates on profit and equity is caused by the changes in asset mix during the year.

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 £2.6m.

Property price risk

Property price risk is the risk that a reduction in the value of property assets through market fluctuation will restrict assets available to settle liabilities as they fall due for payment. The Group is indirectly exposed to property price risk as a result of its cedants holdings of investment properties over which it holds a fixed charge.

The sensitivity analysis for property risk illustrates how a change in the fair value of properties affects the Group result.

A 10% decrease in property prices, with all other variables held constant, would result in a decrease in the profit after tax for a full financial year and a decrease in shareholder equity of £11.3m (2007: £7.5m). A 10% increase in property prices, with all other variables held constant, would result in an increase in the profit after tax for a full financial year and an increase in shareholder equity of £11.3m (2007: £7.5m).

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.

The Group has exposure to currency risk as a result of having a subsidiary that operates in the Netherlands with share capital denominated in Euro. The Group also has an indirect exposure to currency risk as a result of its cedants holdings of investments in a foreign currency over which it holds a fixed charge.

Sensitivity of profit and shareholders' equity to fluctuations in currency exchange rates is not considered significant at 31 December 2008, since unhedged amounts denominated in foreign currencies are relatively small.

Liquidity risk

Liquidity risk arises from 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. Liquidity risk is managed for the Group by maintaining rolling forecasts of cashflow requirements.

All of the financial liabilities of the Group are due within 1 year or less or on demand with the exception of the loan which has no fixed term.

NOTES TO THE ACCOUNTS (continued)

7. Risk management objectives and policies for mitigating risks (continued)

7.3 Insurance risk

Insurance risk in the Group arises through its exposure to mortality. Mortality risk arises from improvements in longevity for annuity business. For annuity contracts, an improvement in longevity leads to an increase in reserves and a reduction in capital. However, the position is managed through a good understanding of trends and the use of prudent assumptions.

7.4 Capital management

The Group manages its capital position by monitoring the net assets of its subsidiary undertakings and ensuring that the net assets of these subsidiaries remain positive at all times. Net assets are reviewed through a monthly close process. The Group itself is not subject to externally imposed capital requirements, although its subsidiary undertaking, Opal Reassurance Limited, is governed by the rules and regulations of the Bermuda Monetary Authority ("BMA"). There are no measurement differences between assets and liabilities prepared on a statutory basis and a regulatory basis. The total net assets of Opal Reassurance Limited are therefore available without adjustment to meet regulatory capital requirements. The BMA requires a minimum level of capital of £0.3m.

Movements in net assets during the year are provided in the reconciliation of movements in shareholders' funds at note 9.

8. Share capital

8.1 Share capital authorised

	31 Dec 08	31 Dec 07
	£	£
88,615 ordinary A shares of £1 each	88,615	88,615
35,040 ordinary B shares of £1 each	35,040	35,040
6,497 (2007: 6,347) ordinary C shares of £1 each	6,497	6,347
9,869,998 undesignated shares of £1 each	9,869,998	9,869,998

8.2 Share capital allotted

	31 Dec 08	31 Dec 07
	£	£
Allotted, called up and fully paid equity shares:		
88,615 ordinary A shares of £1 each	88,615	88,615
35,040 ordinary B shares of £1 each	35,040	35,040
6,497 (2007: 6,347) ordinary C shares of £1 each	6,497	6,347
	130,152	130,002

On 17 December 2008, the Company authorised and issued 150 ordinary C shares of £1 each at their par value.

All types of ordinary share shall rank pari passu in all respects except that the ordinary C shares have no voting rights attached to them.

NOTES TO THE ACCOUNTS (continued)

9. Reserves and reconciliation of movement in shareholders' funds

9.1 Group

	Share capital £m	Profit and loss account £m	Shareholders' funds £m
At 14 November 2006	-	-	-
Issue of shares	0.1	-	0.1
Loss after taxation for the 13.5 month period ended 31 December 2007	-	(2.1)	(2.1)
At 31 December 2007	0.1	(2.1)	(2.0)
Loss after taxation for the year ended 31 December 2008	-	(58.4)	(58.4)
At 31 December 2008	0.1	(60.5)	(60.4)

9.2 Company

	Share capital £m	Profit and loss account £m	Shareholders' funds £m
At 14 November 2006	-	-	-
Issue of shares	0.1	-	0.1
Loss after taxation for the 13.5 month period ended 31 December 2007	-	(6.3)	(6.3)
At 31 December 2007	0.1	(6.3)	(6.2)
Loss after taxation for the year ended 31 December 2008	-	(52.4)	(52.4)
At 31 December 2008	0.1	(58.7)	(58.6)

10. Long term business provision

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.

Liabilities under reinsurance contracts - assumptions

Assumptions are reviewed at each reporting date in order to incorporate relevant market information, experience 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.

NOTES TO THE ACCOUNTS (continued)

10. Long term business provision (continued)

Liabilities under reinsurance contracts – assumptions (continued)

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 realised. Non-financial assumptions reflect management's best estimate of the future.

Discount rate for liabilities

The discount rates used to calculate the liabilities are derived from the swap curve consistent with the pound sterling swap curve as defined by ISDAFIX. This is equivalent to assuming the assets achieve a return of LIBOR. Where the swap curve does not have a sufficiently long duration, the Group extrapolates for the longer durations. In addition, a "liquidity premium" is added to the final LIBOR rate. The addition of this liquidity premium is similar to calculating the market yield on the assets and deducting a margin for asset default.

The interest rates assumed are:

Year	1	5	10	15	20	25	30	40	50
	%	%	%	%	%	%	%	%	%
31 December 2008	3.07	3.15	3.45	3.68	3.60	3.45	3.32	3.23	3.27
31 December 2007	5.74	5.09	5.02	4.90	4.81	4.74	4.65	4.55	4.47

Determining mortality assumptions

Mortality assumptions are determined using best estimate current assumptions about the risk in the contracts. The different blocks of business use different mortality assumptions based upon standard industry tables, with adjustments to allow for future mortality improvements. The assumptions used are based on the tables RMV/RFV00; PMA/PFA00 and RMV/RFV92 depending on what block of business is being valued.

Determining the allowance for risk and uncertainty

The Group is subject to a number of inherent risks that impact the value of the long term business provision, including interest rate risk and mortality risk. If interest rates fall, the impact of discounting on the long term business provision will reduce, resulting in an increased provision. Interest rate risk is provided for in the basic reserve calculation. Similarly, if mortality rates were assumed to fall, then the long term business provision would increase.

To mitigate against the risk and uncertainty of mortality, the Group calculates a market value margin reserve in line with Bermudan regulatory rules. The reserve is calculated using a cost of capital approach, thus 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 reassurance 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.

NOTES TO THE ACCOUNTS (continued)

10. Long term business provision (continued)

Determining the allowance for risk and uncertainty (continued)

The cost of capital rate was initially set at 6% implying a total cost of capital of circa 11%. The spread has been chosen as it is currently used in regulatory capital models. The directors consider that this spread is appropriate given the short period of time that the reassurance business has been operating. The directors will continue to review this rate to determine if actual experience indicates that the assumption should be changed.

11. Creditors: amounts falling due within one year

Company

	31 Dec 08	31 Dec 07
	£m	£m
Accrued interest	-	6.5
Other accruals	0.2	0.1
	0.2	6.6

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

Company

	31 Dec 08	31 Dec 07
	£m	£m
Loans due to external parties	80.6	52.5

On 24 November 2009, the directors of the Company reached agreement with the providers of the loan finance ("Lenders") that interest will cease to accrue and there will be no capital repayments in the period to 31 December 2010, in relation to the £52.5m and £20.0m loan facilities. The Lenders have also agreed to endeavour to reach agreement that will see the Lenders accept the shares held in Liberty following the disposal of Opal Reassurance Limited as full and final settlement of the loan facilities.

On 3 October 2008, the Company entered into a letter of credit and loan facility agreement with two parties, both of which satisfy the criteria of related parties in FRS 8 and details are provided in note 16. The letter of credit and loan facility was for £20.0m and was valid for 12 months from the date of issue and attracted interest at 1%. On 29 December 2008, the letter of credit and loan facility was fully drawn down by the Company. From this date, interest is accruing at a rate of 8% and the Company may repay the whole or any part of the loan on any interest payment date or alternative date agreed between the Company and the Lender. The lender is unable to demand repayment unless there is a change in control of the Company. Interest of £0.1m has been charged in the year.

On 25 April 2007 the Company received a loan of £52.5m from various third parties, some of which fulfil the criteria of related parties in FRS 8 and details are provided of these in note 16. The loan accrued interest at a fixed rate of 18% per annum until 3 May 2008 and then at 8% thereafter. An effective interest rate has been calculated at 8.79%. The Company may repay the whole or any part of the loan on any interest payment date or alternative date agreed between the lender and the Company. The lender is unable to demand repayment unless there is a change in control of the Company. On 24 April 2008, the Company exercised its right to not settle in cash accrued interest and therefore the interest outstanding at this date of £6.5m was capitalised. Interest of £1.5m (2007: £6.5m) has been charged during the year.

NOTES TO THE ACCOUNTS (continued)

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

As a result of the above agreement and the intention to accept the shares held in Liberty as full and final settlement of the loan facilities the fair value of these liabilities is considered to be £20.3m.

13. Creditors

Group

	31 Dec 08	31 Dec 07
	£m	£m
Loans due to external parties (note 12)	80.6	52.5
Other creditors including taxation and social security	1.7	0.5
	83.7	53.0

14. Notes to the cash flow statement

14.1 *Reconciliation of loss on ordinary activities to net cash outflow from operating activities:*

	Year ended 31 Dec 08	13.5 month period ended 31 Dec 07
	£m	£m
Loss on operating activities	(69.7)	(3.1)
Adjustments for financing items and items not involving movements of cash:		
Increase in creditors	1.2	0.5
(Decrease)/increase in accruals	(0.2)	0.2
Interest payable	1.6	6.5
Interest receivable	(2.0)	(1.9)
Losses/(profits) relating to long term business funds	69.0	(3.0)
Net cash paid to cedants	(40.8)	(7.6)
Net cash outflow from operating activities	(40.9)	(8.4)

14.2 *Analysis of cash holdings included in the Consolidated Balance Sheet*

	31 Dec 08	31 Dec 07
	£m	£m
Cash at bank and in hand	25.0	3.0
Add: Deposits with credit institutions repayable on demand included within other financial investments	1.5	41.8
Total cash holdings (note 14.3)	26.5	44.8

NOTES TO THE ACCOUNTS (continued)

14. Notes to the cash flow statement (continued)

14.3 Movements in deposits with credit institutions, cash holdings and borrowings

	Cash holdings £m	Borrowings £m	Total £m
At 14 November 2006	-	-	-
Shareholder cash flows	44.8	(52.5)	(7.7)
At 31 December 2007	44.8	(52.5)	(7.7)
Shareholder cash flows	(18.3)	(20.0)	(38.3)
Capitalisation of interest	-	(8.1)	(8.1)
At 31 December 2008	26.5	(80.6)	(54.1)

15. Subsidiary and associated undertakings

The subsidiary undertakings of the Group are as follows:

	Country of incorporation and principal place of operation	Class of shares held
O-Re Holdings (Netherlands) BV (holding company)	Netherlands	100% of €1 ordinary shares and voting rights
Opal Reassurance Limited (reassurance)	Bermuda	86.8% (2007: 86.4%) of £1 Ordinary A shares and voting rights held by O-Re Holdings (Netherlands) BV 100% (2007:100%) of £1 preference shares held by O-Re Holdings (Netherlands) BV.

The associated undertaking of the Group is as follows:

	Country of incorporation and principal place of operation	Class of shares held
Axial Investment Management Limited (investment management company)	UK	87.3% of £1 ordinary B shares representing 42.8% of the share capital and voting rights

During the year, O-Re Holdings (Netherlands) BV increased its holding in Opal Reassurance Limited through the purchase of 700 £1 ordinary A shares at par value. After the acquisition, the Group owned 86.8% of the share capital of Opal Reassurance Limited.

On 29 December 2008, the Company provided finance of £20.0m to Opal Reassurance Limited and received a charge over the assets of Opal Reassurance Limited. On 29 May 2009, this charge was converted into Ordinary share capital of O-Re Holdings (Netherlands) BV. On this same date, O-Re Holdings (Netherlands) BV subscribed for £20.0m of £1 preference shares in Opal Reassurance Limited.

NOTES TO THE ACCOUNTS (continued)

15. Subsidiary and associated undertakings (continued)

On 24 June 2009, the directors of the Company approved the disposal of the Group's investment in Opal Reassurance Limited in exchange for shares in Liberty Acquisitions Holdings (International) Company ("Liberty"), a company listed on the Euronext exchange (see note 17).

On the same date, the directors of the Company also approved the disposal of its investment in Axial Investment Management Limited to Pearl Group Limited for consideration of £1 (see note 17).

All of the subsidiary and associated undertakings are included within these Group financial statements.

16. Related party transactions

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

During 2007, Opal Reassurance Limited signed reassurance treaties with the Pearl Group life companies, companies 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. The Pearl Group life companies have therefore retained legal ownership of these assets and will continue to hold these assets on their balance sheets. 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 deposits with cedant undertakings and the associated other debtor at 31 December 2008 was £3,571.0m (2007: £3,655.2m). The movement on the withheld premium and the other debtor represents investment returns of £175.9m less claims paid of £300.9m plus capital injections received from Opal Reassurance Limited as required under the terms of the reassurance of £40.8m.

The value of the Long term business provision at 31 December 2008 was £3,588.7m (2007: £3,644.6m). The movement on the reinsurers share of technical provisions represents claims paid of £300.9m and changes in the technical provision of £245.0m.

For the year ended 31 December 2007, the Pearl Group life companies were not deemed to be related parties of Opal Reassurance Limited as the management structure of Opal Reassurance Limited was such that it was not subject to common control. However, during the year and in light of the issues facing Opal Reassurance Limited, the two groups have become intrinsically linked as they work together to ensure Opal Reassurance Limited remains a going concern.

On 25 April 2007 the Company received a loan of £52.5m from various third parties. £39.75m of this loan was received from Xercise Limited, a company in which W A McIntosh and H E M Osmond are directors. A further £12.2m of this loan was received from TDR Capital Nominees Limited, an investing entity. The terms of the loan are detailed in note 12. Interest of £1.5m (2007: £6.5m) has been charged during the year. On 24 April 2008, interest outstanding of £6.5m was capitalised. The loan principal and the associated interest remains outstanding at 31 December 2008.

On 30 May 2008, Xercise Limited and TDR Capital Nominees Limited entered into an agreement to provide the option to grant a letter of credit facility arrangement with the Company. The letter of credit facility was for £20.0m. Xercise Limited agreed to provide £15m and TDR Capital Nominees Limited agreed to provide £5.0m. The option to grant the letter of credit facility resulted in a fee of £0.1m being charged to the Company for this arrangement and this remains outstanding at 31 December 2008.

On 3 October 2008, the Company exercised the option for the letter of credit arrangement to be granted. For the period that the letter of credit was granted but not drawn, an interest rate of 1% was charged. This interest amounted to £0.1m and this remains outstanding at 31 December 2008.

NOTES TO THE ACCOUNTS (continued)

16. Related party transactions (continued)

On 29 December 2008, the Company drew down on the letter of credit arrangement resulting in a loan of £15.0m being granted by Xercise Limited and £5.0m from TDR Capital Nominees Limited. The terms of the loan are detailed in note 12.

The Company has received £0.6m in the year ended 31 December 2008 in relation to tax losses surrendered for the financial years ended 31 December 2007 and 31 December 2008 to the associated undertaking, Axial Investment Management Limited.

Axial Investment Management Limited has also provided investment advice during the year to the reinsurance subsidiary of the Group. Included within the unrealised gains on investments is £4.5m (2007: £3.9m) for investment management fees charged from Axial Investment Management Limited. These fees are deducted from the deposits with cedant undertakings and therefore no amounts are outstanding at the year end.

17. Post balance sheet events

On 24 June 2009, the directors of the Company approved the disposal of the Group's investment in Opal Reassurance Limited in exchange for shares in Liberty Acquisitions Holdings (International) Company ("Liberty"), a company listed on the Euronext exchange.

The Group will receive an initial consideration of 2.48m Ordinary B Shares of Liberty. These shares are deemed to have a fair value of £8.17 per share giving consideration of £20.3m. The Group will also receive further consideration in the form of contingent consideration of 2.1m Ordinary B Shares. The receipt of these shares is contingent on the future performance of the Liberty share price. As a result of this the Company has impaired its investment in its subsidiary undertaking, O-Re Holdings (Netherlands) BV, the parent company of Opal Reassurance Limited, to £20.3m.

On the same date, the directors of the Company also approved the disposal of its investment in Axial Investment Management Limited to Pearl Group Limited for consideration of £1. As a result of this the Company has impaired its investment in Axial Investment Management Limited to £1.

Both of these disposals completed on 2 September 2009.

On 24 November 2009. the directors of the Company reached agreement with the providers of the loan finance ("Lenders") that interest will cease to accrue and there will be no capital repayments in the period to 31 December 2010, in relation to the £52.5m and £20.0m loan facilities (see note 12). The Lenders have also agreed to endeavour to reach agreement that will see the Lenders accept the shares held in Liberty following the disposal of Opal Reassurance Limited as full and final settlement of the loan facilities.