HERA INVESTMENTS ONE LIMITED

(Company Registration Number: 5282338)

REPORT AND ACCOUNTS
For the year ended 31 December 2006

REPORT AND ACCOUNTS 2006

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Registered Office:

The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY

Company Registration No: 5282338

BOARD OF DIRECTORS

M Dale
Director

S J Robertson
Director

Company Secretary

G A Watson

DIRECTORS' REPORT

The directors have pleasure in presenting the Report and Accounts of Hera Investments One Limited ("the Company") for the year ended 31 December 2006.

Principal activities and future developments

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

Strategy

The strategy of the Company is to maximise the value of its investments whilst ensuring that all cash flow requirements are met.

Principal risks and uncertainties

The risk management objectives and policies of the Company are primarily to protect the Company's ability to meet its cash flow requirements. The main risks facing the Company are:

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

The Company's exposure to all these risks is monitored by the directors, who agree policies for managing each of these risks on an ongoing basis. The Company uses interest rate hedges to mitigate the impact of interest rate risk to the Company.

Material developments

On 24 November 2006 the Company repaid in full its 50% share of the balance of £775m of the existing £905m facility agreement with various third party banks, plus accrued interest. On the same date, the Company drew down in full a 50% share on a new £905m facility arrangement.

As an integral step in this refinancing the Company received a dividend from its joint venture Pearl Group Limited of £57.5m and drew down a further £47.5m on the existing £1.5 billion facility agreement with Pearl Group Limited.

The net cash inflows from these transactions were used by the Company to repay in full the outstanding capital and accrued interest due to its parent undertaking, Jambright Limited, and make a first ordinary dividend payment to Jambright Limited of £61.5m.

Performance during 2006

The Company generated a profit after taxation for the year of £73.2m (13.5 month period ended 31 December 2005: £3.9m). This result includes the Groups 50% share of the dividends paid by Pearl Group Limited, its joint venture undertaking of £99.5m (2005: £17.5m).

Dividends

The directors have declared an interim ordinary dividend of £61.5m in the period (13.5 month period ended 31 December 2005: £nil). £60.8m of this dividend was paid in cash prior to the year end, with the balance of £0.7m being paid in January 2007.

Position as at 31 December 2006

The net assets of the Company at 31 December 2006 were £15.0m (2005: £3.9m). The increase in the year reflects the profit after taxation arising in 2006 of £73.2m offset by a decrease in retained profits recorded as at 1 January 2006 following the adoption of FRS26 of £0.6m (see note 1) and by the payment of dividends of £61.5m during the year.

DIRECTORS' REPORT (continued)

Key Performance Indicators ("KPIs")

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

Directors and their interests

The names of the directors as at the date of this report are set out on page 2.

There are no directors' interests requiring disclosure under the Companies Act 1985.

Audit information

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

Elective resolutions

The Company has passed elective resolutions under the Companies Act 1985 to dispense with the laying of accounts and reports before general meetings, to dispense with the holding of Annual General Meetings, and to dispense with the annual appointment of auditors.

By order of the Board of Directors

G A Watson
Secretary

28 March 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

- select suitable accounting policies and 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERA INVESTMENTS ONE LIMITED

We have audited the Company accounts (the "accounts") of Hera Investments One Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 20. These accounts have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of the Company's profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts.

Ernst & Young LLP
Registered Auditor
London
29 March 2007

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2006

	Notes	31 Dec 06 £m	13.5 month period ended 31 Dec 05 £m
Interest receivable and similar income	3	127.9	39.7
Unrealised gains on investments	3	0.6	-
Interest payable and similar charges	4	(60.5)	(38.8)
Profit on ordinary activities before taxation		68.0	0.9
Tax on profit on ordinary activities	8	5.2	3.0
Profit on ordinary activities after taxation	17	73.2	3.9

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2006

	Notes	31 Dec 06 £m	13.5 month period ended 31 Dec 05 £m
Total recognised gains arising in the period		73.2	3.9
Opening balance sheet adjustment	1	(0.6)	
Total recognised gains arising since last financial statements		72.6	

BALANCE SHEET
At 31 December 2006

	Notes	31 Dec 06 £m	31 Dec 05 £m
Fixed assets			
Investments in joint venture	10	298.0	298.0
Loan to joint venture	10	230.0	230.0
		528.0	528.0
Current assets:			
Debtors	12	26.3	27.9
Cash in bank and at hand		0.6	-
		26.9	27.9
Creditors: amounts falling due within one year	13	(18.2)	(61.9)
Net current assets/(liabilities)		8.7	(34.0)
Total assets less current liabilities		536.7	494.0
Creditors: amounts falling due after more than one year	14	(521.7)	(490.1)
Net assets		15.0	3.9
Capital and reserves:			
Called up share capital	16.2	-	-
Profit and loss account	17	15.0	3.9
Shareholders' funds attributable to equity interests	17	15.0	3.9

The accounts were approved by the Board of Directors on 28 March 2007 and signed on its behalf by:

Director

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

a) *Basis of preparation*

The accounts of Hera Investments One Limited ("the Company") have been prepared in accordance with applicable accounting standards and under the historical cost convention rules.

b) *Changes in accounting policy*

The provisions of FRS26 "Financial Instruments: Measurement" ("FRS26") have been adopted in these accounts. The effect of the adoption of this standard has been reported as an opening balance sheet adjustment as at 1 January 2006 and, in accordance with the transitional provisions of the standard, no prior period adjustment has been made.

Prior to the adoption of FRS26 the interest rate swaps held by the Company were not valued in its balance sheet. Following adoption of FRS26, these swaps are recognised at their fair value at each balance sheet date, with changes in fair value being reported through the profit and loss account. As a result, at 1 January 2006 the Company has recognised a financial liability of £0.6m with a corresponding £0.6m reduction in the profit and loss account reserve.

During the period the Company has adopted the provisions of FRS23 "The Effect of Changes in Foreign Exchange Rates" ("FRS23") and FRS24 "Financial Reporting in Hyperinflationary Economies" ("FRS24"). The adoption of FRS23 and FRS24 has had no impact on the results of the Company.

The Company has also adopted the disclosure requirements of FRS25 "Financial Instruments: Disclosure and Presentation" ("FRS25"). The Company has taken advantage of the exemption available and has not presented the comparative disclosures required by this standard.

c) *Fixed asset investments*

Fixed asset investments consist of investments in both shares in and loans to joint venture undertakings. Equity investments are included in the balance sheet at cost less any provision for impairment where circumstances indicate that the carrying value may not be recoverable. From 1 January 2006, loans to joint venture undertakings are valued at amortised cost. Prior to this date, loans to joint venture undertakings were valued at cost less any provision for impairment where circumstances indicated that the carrying value may not be recoverable.

d) *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 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.

NOTES ON THE ACCOUNTS (continued)

ACCOUNTING POLICIES (continued)

e) Taxation

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

Expenses and assets are recognised net of VAT except where this tax is not 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 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.

f) 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 and any unrecognised fair value adjustments from the application of acquisition accounting. Borrowings are subsequently stated at amortised cost. Any difference between the 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.

g) Derivative financial instruments

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

h) Fair value estimation

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

i) Cash flow statement

The Company has taken advantage of the exemption given by FRS 1 (revised 1996) to subsidiary undertakings where 90% or more of the voting rights are controlled within the group, by not preparing a cash flow statement. Details of the ultimate holding company are given in note 20 on the accounts.

NOTES ON THE ACCOUNTS (continued)

2. AUDITORS REMUNERATION

	31 Dec 06	13.5 month period ended 31 Dec 05
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12,925	19,388

3. INVESTMENT INCOME

	31 Dec 06	13.5 month period ended 31 Dec 05
	£m	£m
Interest on loan to parent undertaking	-	2.3
Interest on loan to joint venture	27.6	19.9
Dividend income from joint venture	99.5	17.5
Gains on realisation of investments	0.5	-
Swap interest received	0.3	-
Interest receivable and similar income	127.9	39.7
Unrealised gains on investments	0.6	-

Included in the 2006 interest receivable above is £27.6m calculated using the effective rate of interest on financial assets that are not held at fair value.

The amount of unrealised gains in 2006 relating to the change in fair value of financial investments determined using valuation techniques other than published prices is £0.6m.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31 Dec 06	13.5 month period ended 31 Dec 05
	£m	£m
Interest payable on external loans	29.7	21.9
Interest payable on loans from joint venture	4.0	0.7
Interest payable on loans from parent undertaking	13.9	12.6
Amortisation of debt issue costs	12.9	3.6
	60.5	38.8

NOTES ON THE ACCOUNTS (continued)

5. EMPLOYEE INFORMATION

The Company has no employees.

6. SEGMENTAL ANALYSIS

The Company operates a single class of business which is undertaken solely in the United Kingdom.

7. DIRECTORS' EMOLUMENTS

The directors receive no fees for their services as directors of the Company.

8. TAXATION

a) Tax credit

	31 Dec 06 £m	13.5 month period ended 31 Dec 05 £m
UK corporation tax credit	(5.2)	(3.0)

After taking into account the relief to which the Company is entitled, provision for UK corporation tax on the profit has been made at the rate of 30%.

b) Factors affecting tax charge for period

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

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

	31 Dec 06 £m	13.5 month period ended 31 Dec 05 £m
Profit on ordinary activities before taxation	68.0	0.9
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	20.4	0.3
Effects of:		
Current tax losses surrendered to parent undertaking for nil value	4.2	2.7
Non taxable income	(29.8)	(6.0)
Current taxation charge for the period	(5.2)	(3.0)

9. DIVIDENDS

	31 Dec 06 £m	13.5 month period ended 31 Dec 05 £m
Interim ordinary dividend:		
£10.25m (2005: nil) per £1 share	61.5	-

NOTES ON THE ACCOUNTS (continued)

10. INVESTMENTS IN JOINT VENTURES

	£m	£m
	Shares	Loans
At 10 November 2004	-	-
Acquisition of shares	298.0	-
Issue of subordinated loans to joint venture (see note 10.1)	-	230.0
At 31 December 2005 and 31 December 2006	298.0	230.0

On 9 December 2004 the Company acquired 6 £1 ordinary shares in Pearl Group Limited at par, a 30% holding in that Company. On 12 April 2005 the Company acquired an additional 4 £1 ordinary shares in Pearl Group Limited at par, giving a 50% holding in that company. On 13 April 2005 the Company subscribed for a further 298,000,000 £1 ordinary shares in Pearl Group Limited at par, maintaing its 50% equity stake.

On 13 April 2005, the Company subscribed for subordinated loans of £230.0m to Pearl Group Limited, its joint venture undertaking. Interest accrues at 12% per annum on these loans. £144.5m of the subordinated loans will continue without limit of time and £85.5m of the subordinated loans will mature on 13 April 2015. The fair value of these loans at 31 December 2006 was £230.0m.

11. RISK MANAGEMENT OBJECTIVES AND POLICIES FOR MITIGATING RISKS

The financial risk management objectives and policies of the Company are primarily to protect the Company's ability to meet its cash flow requirements.

Financial assets principally comprise investments in joint venture undertakings and are held to provide an investment return to shareholders. Financial liabilities comprise borrowings for financing purposes. The main risks arising from the Company's use of financial instruments are credit risk, interest rate risk and liquidity risk.

11.1 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 Company's exposure to credit risk is limited to the potential inability of its joint venture undertaking to settle capital and interest liabilities on loans as they fall due for payment. The directors of the Company are actively involved in the management of its joint venture undertaking and therefore work to mitigate this credit risk.

11.2 Interest rate risk

Interest rate risk is the risk that the Company 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 Company has exposure to interest rate risk on its 50% share of the £905m facility agreement with a syndicate of banks. During the period, this exposure has been managed by the use of interest rate swaps which were closed out in December 2006. Management will continue to review the appropriatness of the use of further interest rate swaps in future periods.

NOTES ON THE ACCOUNTS (continued)

11. RISK MANAGEMENT OBJECTIVES AND POLICIES FOR MITIGATING RISKS (continued)

11.3 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 Company by maintaining rolling forecasts of cashflow requirements.

12. DEBTORS

	31 Dec 06	31 Dec 05
	£m	£m
Amounts owed by joint venture	26.3	26.3
Amounts owed by parent undertaking	-	1.6
	26.3	27.9

All debtors are expected to be recovered within 12 months.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 Dec 06	31 Dec 05
	£m	£m
Loan due to external parties (see note 15)	14.1	54.3
Amounts owed to parent undertakings	0.6	-
Other creditors	-	0.1
Accrued interest	0.3	6.8
Accrued interest on loan from joint venture	3.2	0.7
	18.2	61.9

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 Dec 06	31 Dec 05
	£m	£m
Loans due to external parties (see note 15)	434.6	375.4
Loan due to parent undertaking (see note 15)	-	89.2
Loan due to joint venture (see note 15)	87.1	25.5
	521.7	490.1

NOTES ON THE ACCOUNTS (continued)

15. LOANS

15.1 Loans

	31 Dec 06 £m	31 Dec 05 £m
£150.0m loan due to parent undertaking (note a)	-	89.2
Loan due to joint venture (note b)	87.1	25.5
£125.0m Tranche A loan (note c)	-	111.7
£125.0m Tranche B loan (note c)	-	120.7
£202.5m Tranche C loan (note c)	-	197.3
£452.5m loan (note d)	448.7	-
Total loans	535.8	544.4

Notes

(a) The £150.0m loan was issued at par on 13 April 2005 at an interest rate of LIBOR plus a margin of 12%. During the period interest of £7.3m was capitalised and on 27 November 2006 the outstanding balance of £96.5m on this loan was repaid in full.

(b) On 7 October 2005 Pearl Group Limited, a joint venture undertaking, provided a £25.5m loan to the Company at an interest rate of 12% per annum and matures on 14 April 2014. During the period this loan was increased by £61.6m. The fair value of this liability at 31 December 2006 was £87.1m and the effective interest rate is 12%.

(c) Following capital repayments of £30.0m and £25.0m of the Tranche A loan in April and October 2006 respectively, the outstanding balance of £387.5m on these three loan facilities was repaid in full on 24 November 2006. Also during the period the £300m of interest rate swaps held by the Company which fixed the 6 month LIBOR rate at an average of 4.64% were closed out, crystalising a realised gain of £0.5m.

(d) On 24 November 2006 the Company became a party to 50% of a £905m loan facility from a syndicate of external banks. The loan is repayable between 15 November 2007 and 15 May 2013 and has an interest rate of 6 month LIBOR plus a margin of 1.25%. The fair value of this liability at 31 December 2006 was £452.5m and the effective interest rate is 6.84%.

15.2 Time period for payment

Payable as follows:	31 Dec 06 £m	31 Dec 05 £m
In one year or less, or on demand	14.1	54.3
Between one and two years	24.3	137.2
Between two and five years	73.5	130.1
In five years or more	423.9	222.8
	535.8	544.4

15.3 Nature of Borrowings

	31 Dec 06 £m	31 Dec 05 £m
Fixed rate borrowings	87.1	316.8
Floating rate borrowings	448.7	227.6
Total borrowings	535.8	544.4

NOTES ON THE ACCOUNTS (continued)

16. SHARE CAPITAL

16.1 Share capital authorised

	31 Dec 06	31 Dec 05
	£	£
100 ordinary shares of £1 each	100	100

16.2 Share capital allotted

	31 Dec 06	31 Dec 05
	£	£
Allotted, called up and fully paid equity shares:		
6 ordinary shares of £1 each	6	6

On incorporation on 10 November 2004, the Company authorised 100 ordinary shares of £1 each of which 1 was issued at par on this date. On 9 December 2004, the Company issued 5 ordinary £1 shares at par.

17. RESERVES & RECONCILIATION OF MOVEMENT IN SHAREHOLDER FUNDS

	Share capital	Profit and loss account	Shareholders funds
	£m	£m	£m
At 10 November 2004	-	-	-
Profit for the 13.5 month period ended 31 December 2005	-	3.9	3.9
At 31 December 2005	-	3.9	3.9
Opening balance sheet adjustment	-	(0.6)	(0.6)
At 1 January 2006 as restated	-	3.3	3.3
Profit for the year ended 31 December 2006	-	73.2	73.2
Dividends (note 9)	-	(61.5)	(61.5)
At 31 December 2006	-	15.0	15.0

As a result of the adoption of FRS26, at 1 January 2006 the Company decreased the profit and loss account by £0.6m (see note 1 for further details).

NOTES ON THE ACCOUNTS (continued)

18. JOINT VENTURE UNDERTAKING

The joint venture of the Company is as follows:

	Country of incorporation and principal place of operation	Class of shares held
Pearl Group Limited	UK	50% of £1 ordinary shares

The disclosures in Note 18.1 to 18.3 have been included to show the effect on the accounts of the Company if it had equity accounted for its joint venture.

Pearl Group Limited has prepared its consolidated accounts in accordance with the special provisions for insurance groups of Schedule 9A to the Companies Act 1985. The illustrative consolidated accounts of Hera Investments One Limited at 18.1 to 18.3 have been prepared in accordance with Schedule 4 to the Companies Act 1985. Therefore, the disclosures at notes 18.4 to 18.8 have been included for Pearl Group Limited.

18.1 Consolidated profit and loss account for the year ended 31 December 2006

	31 Dec 06 £m	13.5 month period ended 31 Dec 05 £m
Interest receivable and similar income	28.4	22.2
Unrealised gains on investments	0.6	-
Interest payable and similar charges	(60.5)	(38.8)
Share of profit before exceptional items of joint venture	90.0	119.0
Profit on ordinary activities before exceptional items and taxation	58.5	102.4
Non-operating exceptional items		
Share of negative goodwill on acquisition of subsidiary undertakings by joint venture	5.5	96.5
Share of profit on disposals by joint venture	54.5	-
Profit on ordinary activities before taxation	118.5	198.9
Tax on profit on ordinary activities	(24.8)	(7.0)
Profit on ordinary activities after taxation	93.7	191.9

NOTES ON THE ACCOUNTS (continued)

18. JOINT VENTURE UNDERTAKING (continued)

18.2 Consolidated statement of total recognised gains and losses for the year ended 31 December 2006

	31 Dec 06	13.5 month period ended 31 Dec 05
	£m	£m
Results for the financial period excluding dividends of joint venture	(26.3)	(13.6)
Share of joint venture's profit for the year	120.0	205.5
Profit for the financial period	93.7	191.9
Actuarial gain/(losses) on pension scheme of joint venture	4.5	(9.0)
Tax on items taken directly to equity of joint venture	(1.5)	3.0
Total recognised gains arising in the period	96.7	185.9
Opening balance sheet adjustment	49.9	
Total recognised gains arising since last financial statements	146.6	

NOTES ON THE ACCOUNTS (continued)

18. JOINT VENTURE UNDERTAKING (continued)

18.3 Consolidated balance sheet at 31 December 2006

	31 Dec 06	31 Dec 05
	£m	£m
Fixed assets:		
Loan to joint venture	230.0	230.0
Investments in joint venture:		
- Share of gross assets	13,706.5	14,549.0
- Share of gross liabilities	(13,152.5)	(14,069.0)
	554.0	480.0
	784.0	710.0
Current assets:		
Debtors	26.3	27.9
Cash in bank and at hand	0.6	-
	26.9	27.9
Creditors: amounts falling due within one year	(18.2)	(61.9)
Net current assets/(liabilities)	8.7	(34.0)
Total assets less current liabilities	792.7	676.0
Creditors: amounts falling due after more than one year	(521.7)	(490.1)
Net assets	271.0	185.9
Capital and reserves:		
Called up share capital	-	-
Profit and loss account	271.0	185.9
Shareholders' funds attributable to equity interests	271.0	185.9

NOTES ON THE ACCOUNTS (continued)

18. JOINT VENTURE UNDERTAKING (continued)

18.4 Pearl Group Limited consolidated non-technical profit and loss account for the year ended 31 December 2006.

	31 Dec 06 £m	13.5 month period ended 31 Dec 05 £m
Balance on the general insurance business technical account		
Discontinued operations	1	7
Balance on the long-term business technical account		
Continuing operations	115	102
Tax credit attributable to balance on long-term business technical account	50	37
Shareholders' pre-tax profit from long-term business	165	139
Investment income	60	46
Unrealised gains on investments	(14)	79
Investment expenses and charges	(71)	(47)
Allocated investment return transferred to the general business technical account – discontinued operations	(1)	(3)
Other income	50	70
Other charges	(10)	(53)
Profit on ordinary activities before exceptional items and taxation	180	238
Non-operating exceptional items		
Negative goodwill on acquisition of subsidiary undertakings	11	193
Profit on disposals	109	-
Profit on ordinary activities before taxation	300	431
Taxation charge on profit on ordinary activities	(60)	(20)
Profit on ordinary activities after taxation	240	411

18.5 *Pearl Group Limited consolidated premiums*

	31 Dec 06 £m	13.5 month period ended 31 Dec 05 £m
Gross premiums written		
Outward reinsurance premiums	525	549
	(4)	(4)
Earned premiums net of reinsurance	521	545

NOTES ON THE ACCOUNTS (continued)

18. JOINT VENTURE UNDERTAKING (continued)

18.6 Pearl Group Limited consolidated statement of total recognised gains & losses for the year ended 31 December 2006

	31 Dec 06 £m	13.5 month period ended 31 Dec 05 £m
Profit for the financial period	240	411
Actuarial gains / (losses) on pension scheme	9	(18)
Tax on items taken directly to equity	(3)	6
Total recognised gains arising in the period	246	399
Opening balance sheet adjustment	101	
Total recognised gains arising since last financial statements	347	

18.7 Pearl Group Limited consolidated balance sheet as at 31 December 2006

	31 Dec 06 £m	31 Dec 05 £m
Intangible assets	26	-
Investments	22,145	23,756
Assets held to cover linked liabilities	4,182	4,325
Reinsurers' share of technical provisions	198	231
Debtors	101	97
Other assets	458	349
Prepayments and accrued income	303	340
Total assets	27,413	29,098
Capital and reserves		
Called up share capital	596	596
Profit and loss account	512	364
Equity shareholders' funds	1,108	960
Fund for future appropriations	356	288
Gross technical provisions	20,233	21,897
Technical provisions for linked liabilities	4,182	4,325
Financial liabilities	111	-
Provision for other risks and charges	134	86
Creditors	1,255	1,482
Accruals and deferred income	34	38
Pension liability	-	22
Total liabilities excluding equity shareholders' funds	26,305	28,138
Total liabilities	27.413	29,098

NOTES ON THE ACCOUNTS (continued)

18. JOINT VENTURE UNDERTAKING (continued)

18.8 Pearl Group Limited reserves and reconciliation of movement in shareholders funds

	Share capital £m	Profit and loss account £m	Share-holders funds £m
At 10 November 2004	-	-	-
Proceeds from share issue	596	-	596
Profit after taxation for the 13.5 month period ended 31 December 2005	-	411	411
Dividends	-	(35)	(35)
Actuarial loss on pension scheme	-	(18)	(18)
Tax on items taken directly to equity	-	6	6
At 31 December 2005	596	364	960
Opening balance sheet adjustment	-	101	101
At 1 January 2006 as restated	596	465	1,061
Profit after taxation for the year ended 31 December 2006	-	240	240
Dividends	-	(199)	(199)
Actuarial gain on pension scheme	-	9	9
Tax on items taken directly to equity	-	(3)	(3)
At 31 December 2006	596	512	1,108

19. RELATED PARTY TRANSACTIONS

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

Included within the £16.4m 2005 issue costs incurred on external borrowing were amounts of £1.6m settled during the period with TDR Capital LLP.

During the year, TDR Capital LLP the investing entity received £1,195,220 (13.5 month period ended 31 December 2005: £842,513) as shareholder monitoring fees.

20. PARENT UNDERTAKINGS

The Company's immediate and ultimate parent undertaking is Jambright Limited. A copy of the Company accounts can be obtained from its registered office The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY.