HERA INVESTMENTS NO. 2 LIMITED

(Company Registration Number: 06308409)

REPORT AND ACCOUNTS
For the 18 month period ended 31 December 2008

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Registered Office:

The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY

Company Registration No: 06308409

BOARD OF DIRECTORS

M Dale
Director

S J Robertson
Director

B J Thompson
Alternate Director

Company Secretary

G A Watson

DIRECTORS' REPORT

The directors have pleasure in presenting the Report and Accounts of Hera Investments No. 2 Limited ("the Company") for the 18 month period ended 31 December 2008.

Principal activities and future developments

Hera Investments No. 2 Limited was incorporated on 10 July 2007.

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

Share capital

Details of movements in authorised and allocated share capital during the period are given in note 14.

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 and subsequent events

During the period the Company has taken a 12.5% equity stake in Impala Holdings Limited. Prior to 14 May 2008, the Company's investment in Impala Holdings Limited was a notional investment of £25. On 13 May 2008 the Company used the proceeds of £59.8m from an issue of its shares to subscribe for an additional £59.8m of equity in Impala Holdings Limited, maintaining its 12.5% stake.

On 14 May 2008, the Company borrowed £1,627.5m from a syndicate of external banks as joint borrower with Sun Capital Investments No. 2 Limited under the £3,645m facility agreement ("the Facility Agreement"). This agreement contained a contingent facility of £390m which was not utilised by either company and was cancelled on 30 May 2008. Capital repayments of £497.5m have been made on this facility by the Company during the period.

The Company and Sun Capital Investments No. 2 Limited also entered jointly into a £1,267.3m facility agreement with The Royal London Mutual Insurance Society Limited ("Royal London"), under which the Company drew down £633.7m on 14 May 2008. This loan has been repaid in full during the period.

Also on 14 May 2008 PIK notes totalling £154.5m were provided to the Company from its immediate parent undertaking.

On 14 May 2008, the Company on lent the full £2,415.7m proceeds received under these loan arrangements to Impala Holdings Limited as £1,284.5m subordinated debt, £633.7m debt and £497.5m of bridge debt. During the period Impala Holdings Limited repaid all of these loans in full.

Impala Holdings Limited used the finance provided through the issue of equity and loans to acquire 100% of the issued share capital of Resolution plc, effective 1 May 2008.

DIRECTORS' REPORT (continued)

Material developments and subsequent events (continued)

On 20 November 2008 the Company subscribed for 1 non-voting C share in Impala Holdings Limited for consideration of £800.0m and subscribed for newly issued subordinated loans of £498.8m.

Servicing the cash flow requirements of the Company is dependent upon cash flows generated by Impala Holdings Limited, the sole investment of the Company. During 2008 the lack of liquidity in the capital markets and the increase in corporate bond spreads have adversely affected the value of the asset portfolio of the Impala Holdings Limited Group which has had a negative impact on it's solvency position and the position of its subsidiaries. In addition, the FSA issued an Own Initiative Variation of Permission ("OIVoP") which inter alia, requires cash payments and any other transfer of economic benefits from regulated entities within the Impala Holdings Limited Group to be disclosed to, and approved by, the FSA. This strain on the solvency position of the subsidiaries of the Impala Holdings Limited Group together with the OIVoP has reduced the forecast cash flows that Impala Holdings Limited expects to receive from it's subsidiaries which enable Impala Holdings Limited to service the scheduled interest payments on its subordinated debt obligations to the Company and to make loans and dividends to the Company. In the post balance sheet period, interest due from Impala Holdings Limited on the subordinated loan notes was deferred and the interest and capital repayments of the Company due on 30 April 2009 under the £2,260m facility agreement were deferred. As the cash inflows to the Company are uncertain, it is considered probable that the Company will not be able to meet its interest and debt repayments under the existing £2,260m facility agreement as and when they fall due for payment.

During the post balance sheet period, the Company has therefore been in negotiation with the syndicate of lenders who provided finance under the £2,260m facility agreement entered into jointly by the Company and Sun Capital Investments No. 2 Limited. As at 31 December 2008, £1,130m of capital remained outstanding by the Company under this facility. As an integral part of these negotiations, the shareholders of the Company's ultimate parent undertaking have entered into an exclusivity agreement to exchange their interests in the Company's ultimate parent undertaking together with their other interests in the Impala Holdings Limited Group for the issue of shares in Liberty Acquisitions Holdings (International) Company ("Liberty"). Liberty is an entity listed on the Euronext exchange. It is anticipated that the Liberty shareholders will vote on the acquisition of the Group in the second half of July and if approved, that the acquisition will become effective thereafter, subject to regulatory and other approvals. Conditional upon these negotiations, the existing facility would be amended as follows:

- The Tranche A facility of £1,275m would be repayable over the period from 30 April 2011 to 30 November 2014 and attract interest at LIBOR plus a margin of 2.00% for the first four years, and LIBOR plus a margin of 2.50% for the subsequent years;
- The Tranche B facility of £492.5m would be repayable on 30 November 2015 and attract interest at LIBOR plus a margin of 2.00% for the first four years, and LIBOR plus a margin of 3.25% for the subsequent years; and
- The Tranche C facility of £492.5m would be repayable on 30 November 2016 and attract interest at LIBOR plus a margin of 2.00% for the first four years and LIBOR plus a margin of 3.75% for the subsequent years.

The Company would continue to share jointly with Sun Capital Investments No. 2 Limited in these new financing provisions.

It is anticipated that, post acquisition, Liberty would provide new capital which would be passed through the Company to Impala Holdings Limited and into it's insurance subsidiaries. These capital injections would improve the capital strength of the Impala Holdings Limited Group and its insurance subsidiaries. This, together with an expected lifting of the OIVoP should enable the Company to be able to service the interest and capital repayments due under the amended facility.

Performance during 2008

The Company generated a loss after taxation for the 18 month period of £39.5m. Included within this result is an impairment of £28.3m in the carrying value of the Company's equity investment in Impala Holdings Limited.

Dividends

No dividends were paid in the 18 month period ended 31 December 2008.

DIRECTORS' REPORT (continued)

Position as at 31 December 2008

The net assets of the Company at 31 December 2008 were £20.3m. The increase in the period reflects the issue of £59.8m of share capital offset by the loss after taxation arising during the period of £39.5m.

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.

Going concern

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

- Servicing the cash flow requirements of the Company is dependent upon cash flows generated by Impala Holdings Limited, the sole investment undertaking of the Company. Due to increased uncertainty in the forecast cash flows to the Company from Impala Holdings Limited, the Company considers it probable that it would not be able to meet its interest and debt repayments under the existing £2,260m facility agreement as and when they fall due for payment, unless the restructuring referred to below is completed.

- In the post balance sheet period, the Company has therefore been in negotiation with the syndicate of lenders who provided finance under the £2,260m facility agreement. These negotiations have resulted in a series of proposed amendments to the terms of this facility agreement which reflect the ability of the joint venture undertaking to generate cash flows. Finalisation of these Heads of Terms is contingent on the success of the Liberty Acquisitions Holdings (International) Company ("Liberty") share exchange set out below.

- As an integral part of the negotiations of the £2,260m facility agreement, the shareholders of the Company's ultimate parent undertaking have entered into an exclusivity agreement to exchange their interests in the Company's ultimate parent undertaking for shares to be issued in Liberty, a Euronext listed entity. The acquisition by Liberty together with the agreements reached with the other stakeholders of the Impala Holdings Limited Group is anticipated to provide additional capital and liquidity to the Impala Holdings Limited Group as well as alleviate the current cash flow requirements of the Company.

The directors have concluded that the reliance of the Company on the completion of the acquisition by Liberty represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. Nevertheless, after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Company can continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the accounts.

Directors

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 is as follows:

M C Allen	Appointed 10 July 2007	Resigned 17 July 2007
W A McIntosh	Appointed 10 July 2007	Resigned 17 July 2007
M Dale	Appointed 17 July 2007	
S J Robertson	Appointed 17 July 2007	
B J Thompson	Appointed 8 February 2008 as an alternate director to M Dale	
B J Thompson	Appointed 21 April 2008 as an alternate director to S J Robertson	

DIRECTORS' REPORT (continued)

Audit information

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the 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.

By order of the Board of Directors

G A Watson
Secretary

27 June 2009

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 NO. 2 LIMITED

We have audited the Company financial statements (the "financial statements") of Hera Investments No. 2 Limited for the 18 month period ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of the Company's loss for the period 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERA INVESTMENTS NO. 2 LIMITED (continued)

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the Accounting Policies note on page 12 concerning the company's ability to continue as a going concern. The conditions described in the Accounting Policies note indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

Ernst & Young LLP
Registered Auditor
London
27 June 2009

PROFIT AND LOSS ACCOUNT
For the 18 month period ended 31 December 2008

	Notes	18 month period ended 31 Dec 08 £m
Interest receivable and similar income	2	80.4
Unrealised losses on investments	2	(28.3)
Interest payable and similar charges	3	(91.6)
Loss on ordinary activities before taxation		(39.5)
Tax on loss on ordinary activities	7	-
Loss on ordinary activities after taxation	15	(39.5)

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses for the period other than the loss on ordinary activities shown above.

BALANCE SHEET
At 31 December 2008

	Notes	31 Dec 08
		£m
Fixed assets:		
Investments	8	831.5
Loans designated as:		
- equity	8	331.3
- loans and receivables	8	167.5
		1,330.3
Current assets:		
Debtors	9	4.3
Investments	10	35.9
		40.2
Creditors: amounts falling due within one year	11	(147.9)
Net current liabilities		(107.7)
Total assets less current liabilities		1,222.6
Creditors: amounts falling due after more than one year	12	(1,202.3)
Net assets		20.3
Capital and reserves:		
Called up share capital	14.2	59.8
Profit and loss account	15	(39.5)
Shareholders' funds attributable to equity interests	15	20.3

The accounts were approved by the Board of Directors on 27 June 2009 and signed on its behalf by:

Director

ACCOUNTING POLICIES

Basis of preparation

The accounts of Hera Investments No. 2 Limited ("the Company") have been prepared in accordance with applicable accounting standards and under the historical cost convention rules.

Going concern

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

- Servicing the cash flow requirements of the Company is dependent upon cash flows generated by Impala Holdings Limited, the sole investment undertaking of the Company. Due to increased uncertainty in the forecast cash flows to the Company from Impala Holdings Limited, the Company considers it probable that it would not be able to meet its interest and debt repayments under the existing £2,260m facility agreement as and when they fall due for payment, unless the restructuring referred to below is completed.

- In the post balance sheet period, the Company has therefore been in negotiation with the syndicate of lenders who provided finance under the £2,260m facility agreement. These negotiations have resulted in a series of proposed amendments to the terms of this facility agreement which reflect the ability of the joint venture undertaking to generate cash flows. Finalisation of these Heads of Terms is contingent on the success of the Liberty share exchange set out below.

- As an integral part of the negotiations of the £2,260m facility agreement, the shareholders of the Company's ultimate parent undertaking have entered into an exclusivity agreement to exchange their interests in the Company's ultimate parent undertaking for shares to be issued in Liberty, a Euronext listed entity. The acquisition by Liberty together with the agreements reached with the other stakeholders of the Impala Holdings Limited Group is anticipated to provide additional capital and liquidity to the Impala Holdings Limited Group as well as alleviate the current cash flow requirements of the Company.

The directors have concluded that the reliance of the Company on the completion of the acquisition by Liberty represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. Nevertheless, after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Company can continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the accounts.

Fixed asset investments

Equity investments comprise investments in ordinary shares and certain loan notes and are included in the balance sheet at cost less any provision for impairment where circumstances indicate that the carrying value may not be recoverable. Investments in loans that are designated as loans and receivables are valued at amortised cost.

Investment income, realised and unrealised gains and losses on investments

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

Dividends and interest income on loans designated as equity are included as investment income on receipt of payment.

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.

ACCOUNTING POLICIES (continued)

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.

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 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.

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.

Fair value estimation

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

Cash flow statement

The Company has taken advantage of the exemption given by 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 17 to the accounts.

NOTES TO THE ACCOUNTS

1. Auditors remuneration

Audit fees of £19,167 were borne by the company for statutory audit services during the period.

2. Investment income

	18 month period ended 31 Dec 08 £m
Interest receivable on loans designated as:	
- Equity	34.2
- Loans and receivables	45.7
Swap interest receivable	0.5
Interest receivable and similar income	80.4
Unrealised losses on investments	(28.3)

3. Interest payable and similar charges

	18 month period ended 31 Dec 08 £m
Interest payable on bank loans	67.6
Interest payable on PIK notes from parent undertaking	11.5
Interest payable on bridge loan from external parties	12.0
Swap interest payable	0.5
	91.6

4. Employee information

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

5. Segmental analysis

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

6. Directors' emoluments

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

NOTES TO THE ACCOUNTS (continued)

7. Taxation

7.1 Tax charge

The total UK current tax charge is £NIL.

7.2 Factors affecting tax charge for the year

The standard rate of tax has been determined by using the UK rate enacted for the year for which the profits 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:

	18 month period ended 31 Dec 08 £m
Loss on ordinary activities before taxation	39.5
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%	11.1
Effects of:	
Movement in current year unprovided deferred tax	(3.1)
Non-taxable impairment of investment in Impala Holdings Limited	(8.0)
Current taxation charge for the year	-

7.3 Factors that may affect future tax charges

£11.1m of losses are available indefinitely for offset against future taxable profits.

NOTES TO THE ACCOUNTS (continued)

8. Fixed asset investments

	Shares	Loans designated as Equity	Loans designated as Loans and receivables	Total
	£m	£m	£m	£m
Cost				
At 10 July 2007	-	-	-	-
Additions in the period	859.8	1,053.1	1,863.7	3,776.6
Repayments in the period	-	(721.8)	(1,696.2)	(2,418.0)
At 31 December 2008	859.8	331.3	167.5	1,358.6
Provision for impairment				
At 10 July 2007	-	-	-	-
Charge for the year	(28.3)	-	-	(28.3)
At 31 December 2008	(28.3)	-	-	(28.3)
Net book value				
At 10 July 2007	-	-	-	-
At 31 December 2008	831.5	331.3	167.5	1,330.3

The Company holds 12.5% of the £1 A and £1 B ordinary shares and 50% of the £1 C ordinary shares of Impala Holdings Limited, a company incorporated and with its principal place of operation in the UK. The initial investment in Impala through the A and B shares was for £59.8m in May 2008 followed by an investment in the C shares in November 2008 of £800.0m.

The carrying value of the Company's investment in Impala Holdings Limited has been tested for impairment at the balance sheet date and an impairment of £28.3m has been recognised. Value in use has been determined as the present value of the future cash flows associated with the ex-Resolution plc business including the in force long term business, the asset management business and the Service company of the Impala Holdings Limited group. The cash flows used in this calculation are consistent with those adopted by management in the Impala Holdings Limited groups operating plan and beyond the period of this plan, reflecting the anticipated run-off of the in force life insurance business. Future cash flows have been valued using discount rates which reflect the risks inherent to each cash flow of between 3.8% (being a rate equal to the risk free rates derived from the gilt yield curve at 31 December 2008 with an addition of 10 bps) and 9.8%.

On 14 May 2008, the Company provided £2,415.7m of loan finance to Impala Holdings Limited as follows:

- £154.5m subordinated debt designated as equity accruing interest at LIBOR plus a margin of 5.5%. Interest of £2.3m was capitalised into this loan prior to its repayment in full during the period;
- £565.0m subordinated debt designated as equity accruing interest at LIBOR plus a margin of 2.94%. This loan was repaid in full during the period;
- £565.0m subordinated debt designated as loans and receivables accruing interest at LIBOR plus a margin of 2.94%. This loan was repaid in full during the period;
- £633.7m debt designated as loans and receivables accruing interest at LIBOR plus a margin of 3.5%. This loan was repaid in full during the period; and
- £497.5m bridge debt designated as loans and receivables accruing interest at LIBOR plus a margin of 1.0%. This loan was repaid in full during the period.

NOTES TO THE ACCOUNTS (continued)

8. Fixed asset investments (continued)

On 20 November 2008, the Company provided £498.8m of loan finance to Impala Holdings Limited as follows:

- £331.3m subordinated debt designated as equity with interest attracting at LIBOR plus a margin of 15.0%. This loan has no final maturity date; and
- £167.5m subordinated debt designated as loans and receivables accruing interest at LIBOR plus a margin of 11.0%. This loan matures on 30 November 2018.

9. Debtors

	31 Dec 08
	£m
Accrued interest	3.3
Prepayments and accrued income	1.0
	4.3

All debtors are expected to be recovered within 12 months.

10. Current asset investments

	31 Dec 08
	£m
Other investments	35.9

Other investments comprise of the fair value of £565m of interest rate swaps entered into during the period.

11. Creditors: amounts falling due within one year

	31 Dec 08
	£m
Loan from external parties (see note 13)	93.8
Derivative liability	35.9
Accrued interest on loans	17.1
Accrued interest on swaps	1.0
Intercompany creditors	0.1
	147.9

NOTES TO THE ACCOUNTS (continued)

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

	31 Dec 08
	£m
Loans from external parties (see note 13)	1,036.3
PIK notes from parent undertaking (see note 13)	166.0
	1,202.3

13. Loans

13.1 Loans

	31 Dec 08
	£m
£637.5m Tranche A loan	637.5
£246.3m Tranche B loan	246.3
£246.3m Tranche C loan	246.3
PIK notes from parent undertaking	166.0
Total loans	1,296.1

On 14 May 2008 the Company obtained 50% of a £2,260m loan facility from a syndicate of external banks. This facility was split into Tranche loans A, B and C of amounts £637.5m, £246.3m and £246.3m respectively.

The Tranche A loan is repayable in accordance with an agreed repayment schedule ending 30 November 2012 and has an interest rate of LIBOR plus a margin of 2.5%. Similarly, the Tranche B and Tranche C loans are repayable in full on 30 November 2013 and on 30 November 2014 respectively. The Tranche B loan has an interest rate of LIBOR plus a margin of 3.25% and the Tranche C loan has an interest rate of LIBOR plus a margin of 3.75%.

During the post balance sheet period, the Company has been in negotiation with the syndicate of lenders who provided finance under the £2,260m facility agreement. As a result of these negotiations, the existing facility would be amended as follows:

- The Tranche A facility of £1,275m would be repayable over the period from 30 April 2011 to 30 November 2014 and attract interest at LIBOR plus a margin of 2.00% for the first four years, and LIBOR plus a margin of 2.50% for the subsequent years;
- The Tranche B facility of £492.5m would be repayable on 30 November 2015 and attract interest at LIBOR plus a margin of 2.00% for the first four years, and LIBOR plus a margin of 3.25% for the subsequent years; and
- The Tranche C facility of £492.5m would be repayable on 30 November 2016 and attract interest at LIBOR plus a margin of 2.00% for the first four years and LIBOR plus a margin of 3.75% for the subsequent years.

The Company would continue to share jointly with Sun Capital Investments No. 2 Limited in these new financing provisions. Finalisation of these Heads of Terms in respect of the negotiations referred to above is contingent on the success of the Liberty share exchange (see note 18).

NOTES TO THE ACCOUNTS (continued)

13. Loans (continued)

13.1 Loans (continued)

The Company's borrowings under the current facility as at 31 December 2008 of £1,130.0m including accrued interest of £17.1m are secured by:

- A first fixed equitable charge over the Company's real property, present and future;
- A first fixed charge over the Company's book debts, bank accounts, investments, uncalled capital and goodwill, intellectual property rights and beneficial interest in any pension fund; and
- A floating charge over the entire assets of the Company, present and future, in favour of the lenders under the Facility Agreement.

On 14 May 2008, the Company obtained £497.5m in the form of a bridge loan from a syndication of banks. The interest on this accrued at LIBOR plus a margin of 1% during the period prior to its repayment. £375.0m was repaid by the Company in June 2008 followed by £122.5m in October 2008 in accordance with the terms of the Facility Agreement.

Also on 14 May 2008, the Company took out a bridge loan from an external party for £633.7m. This loan accrued interest at a rate of LIBOR plus a margin of 3.5%. £52.4m was repaid in June 2008, followed by the repayment of the balance in August 2008.

The Company received PIK notes of £154.5m from TDR Parma Midco Limited, its immediate parent undertaking on 14 May 2008 also. A further £2.3m and £9.2m of PIK notes were issued to TDR Parma Midco Limited in June and December 2008 to cover the interest amount falling due in those months. Interest accrues at LIBOR plus a margin of 5.5% on this loan. The final maturity date on this loan is 10 October 2015.

13.2 Time period for payment

Payable as follows:	31 Dec 08 £m
In one year or less, or on demand	93.8
Between one and two years	62.5
Between two and five years	727.5
In five years or more	412.3
	1,296.1

13.3 Nature of borrowings

	31 Dec 08 £m
Floating rate borrowings	1,296.1

NOTES TO THE ACCOUNTS (continued)

14. Share capital

14.1 Share capital authorised

	31 Dec 08
	£m
35,250,000 ordinary shares of £1 each	35.3
64,750,000 preference shares of £1 each	64.8

The holders of the ordinary shares are entitled to:

- Receive dividends, at the discretion of the directors out of the profits of the Company that are available for distribution and are in excess of the maximum preference dividends;
- On a return of capital, the assets of the Company available for distribution are applied to the preference shareholders in priority to any payment to the holders of the ordinary shares; and
- One vote and one poll vote for every share of which they are the holder.

The holders of the preference shares are entitled to:

- Receive dividends at the discretion of the directors of an amount not more than 15% of the issued price of each preference share;
- On a return of capital, the assets of the Company available for distribution shall be applied in paying to the preference shareholders first, the issued price per preference share and secondly any declared but unpaid dividends; and.
- Receive notice of and attend general meetings but may not vote in respect of their holdings of preference shares.

14.2 Share capital allotted

	31 Dec 08
	£m
Allotted, called up and fully paid equity shares:	
5,000,001 ordinary shares of £1 each	5.0
54,750,000 preference shares of £1 each	54.8

On incorporation on 10 July 2007, the Company authorised 1,000 ordinary shares of £1 each, of which 1 was issued at par on this date.

On 25 April 2008, the Company authorised 35,249,000 ordinary shares of £1 each and 64,750,000 preference shares of £1 each, of which 5,000,000 ordinary shares and 54,750,000 preference shares were issued at par.

NOTES TO THE ACCOUNTS (continued)

15. Reserves and reconciliation of movement in shareholders' funds

	Share capital	Profit and loss account	Shareholders' funds
	£m	£m	£m
At 10 July 2007	-	-	-
Shares issued in the year	59.8	-	59.8
Loss for the 18 month period ended 31 December 2008	-	(39.5)	(39.5)
At 31 December 2008	59.8	(39.5)	20.3

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 Company qualifying as related parties.

On 14 May 2008 the Company entered into an agreement to lend £2,415.7m to Impala Holdings Limited in which the Company has a 12.5% equity investment. During the period interest of £77.0m was charged on these loans of which £2.3m was capitalised. Interest of £0.4m was outstanding at the year end. During the period these loans were repaid in full. (See note 8 for further details).

On 20 November 2008, further loans of £498.8m were made to Impala Holdings Limited. Interest of £2.9m has been charged in the period. Both the interest and the loan are outstanding at 31 December 2008. (See note 8 for further details).

During the year the Group entered into an interest rate swap with Pearl Group Holdings (No. 1) Limited, a wholly owned subsidiary of Impala Holdings Limited. The swap exchanges a fixed rate of interest on loan finance of £565m for a variable rate. At 31 December 2008 the total fair value of this swap was £35.9m. Interest of £0.5m has been charged by Pearl Group Holdings (No. 1) Limited and settled during the period. Interest of £1.0m has been charged to Pearl Group Holdings (No. 1) Limited on these swaps and this is outstanding at 31 December 2008.

During the year, TDR Capital LLP of whom M Dale and S Robertson are designated members received £1,762,500 from the Impala Holdings Limited as share holder monitoring fees and investment management fees.

17. Parent undertakings

The Company's immediate parent undertaking is TDR Parma Midco Limited. Its ultimate parent undertaking is TDR Parma Topco Limited, a copy whose accounts can be obtained from its registered office The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY.

NOTES TO THE ACCOUNTS (continued)

18. Post balance sheet events

During the post balance sheet period, the Company has been in negotiation with the syndicate of lenders who provided finance under the £2,260m facility agreement entered into jointly by the Company and Sun Capital Investments No. 2 Limited. As at 31 December 2008, £1,130m of capital remained outstanding by the Company under this facility. As an integral part of these negotiations, the shareholders of the Company's ultimate parent undertaking have entered into an exclusivity agreement to exchange their interests in the Company's ultimate parent undertaking together with their other interests in the Impala Holdings Limited Group for the issue of shares in Liberty Acquisitions Holdings (International) Company ("Liberty"). Liberty is an entity listed on the Euronext exchange. It is anticipated that the Liberty shareholders will vote on the acquisition of the Group in the second half of July and if approved, that the acquisition will become effective thereafter, subject to regulatory and other approvals. Conditional upon these negotiations, the existing facility would be amended as follows:

- The Tranche A facility of £1,275m would be repayable over the period from 30 April 2011 to 30 November 2014 and attract interest at LIBOR plus a margin of 2.00% for the first four years, and LIBOR plus a margin of 2.50% for the subsequent years;
- The Tranche B facility of £492.5m would be repayable on 30 November 2015 and attract interest at LIBOR plus a margin of 2.00% for the first four years, and LIBOR plus a margin of 3.25% for the subsequent years; and
- The Tranche C facility of £492.5m would be repayable on 30 November 2016 and attract interest at LIBOR plus a margin of 2.00% for the first four years and LIBOR plus a margin of 3.75% for the subsequent years.

The Company would continue to share jointly with Sun Capital Investments No. 2 Limited in these new financing provisions.

In the post balance sheet period, interest due from Impala Holdings Limited on the subordinated loans was deferred and the interest and capital repayments of the Company due on 30 April 2009 under the £2,260m facility agreement were deferred.