

AUDR
PEARL ASSURANCE LIMITED
(formerly Pearl Assurance Public Limited Company)

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PEARL ASSURANCE LIMITED**

We have audited the company's balance sheet as at 30 June 2005 and related notes 1 to 20 which have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company in accordance with Section 43(3)(c) of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company those matters we are required to state 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, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the balance sheet in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the balance sheet in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the balance sheet gives a true and fair view and is properly prepared in accordance with the Companies Act 1985.

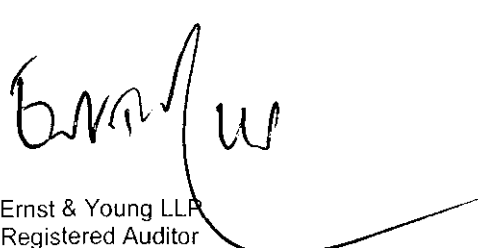
BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures. 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.

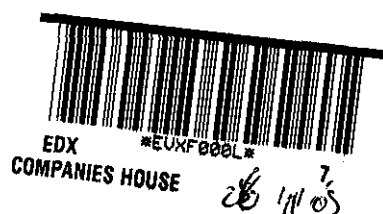
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the balance sheet is free from material misstatement, whether caused by fraud or other irregularity or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

OPINION

In our opinion the balance sheet gives a true and fair view of the state of affairs of the company as at 30 June 2005 and has been properly prepared in accordance with the provisions of the Companies Act 1985 which would have applied had it been prepared for a financial year.


Ernst & Young LLP
Registered Auditor
1 More London Place
London
SE1 2AF

17 November 2005



PEARL ASSURANCE LIMITED
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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs 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 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 which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.