

**PEARL GROUP**  
**(Formerly Pearl Group Limited)**  
(Company Registration Number: 1974498)

**REPORT AND ACCOUNTS**

**31 DECEMBER 2004**



**PEARL GROUP**  
**(Formerly Pearl Group Limited)**

**REPORT AND ACCOUNTS 2004**

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Registered Office:

The Pearl Centre  
Lynch Wood  
Peterborough  
PE2 6FY

Company Registration No: 1974498

**PEARL GROUP**  
**(Formerly Pearl Group Limited)**

**BOARD OF DIRECTORS**

N T Hiscock  
Director

J S Moss  
Director

J S B Smith  
Director

**Company Secretary**  
J A Gregory

**PEARL GROUP**  
**(Formerly Pearl Group Limited)**

**DIRECTORS' REPORT**

The directors have pleasure in presenting the Annual Report and Accounts of Pearl Group ("the Company") for the year ended 31 December 2004.

**PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS**

The main activity of the Company, through its subsidiaries, is insurance of various types over a wide range, covering life risk and investment and savings products for individuals and companies. The principal activity of the Company itself is that of an investment company. This will continue to be the principal activity for the foreseeable future.

**CHANGE OF NAME**

On 24 March 2005, the Company name was changed from Pearl Group Limited to Pearl Group.

**BUSINESS REVIEW**

Full details of the results for the year are set out in the Company accounts and the related notes on pages 7 to 17.

On 13 October 2004, Pearl Group was authorised by Court approval to cancel its share premium account.

In order to facilitate the anticipated sale of HHG PLCs' Life Services business to Life Company Investor Group Limited, on 7 December 2004 a series of transactions were undertaken which resulted in the formation of a consolidated Life Services sub group held by Pearl Assurance Group Holdings Limited, a wholly owned subsidiary of the Company. Details of these transactions can be found in note 17.

**POST BALANCE SHEET EVENT**

On 9 December 2004, the Company and HHG PLC, the Company's ultimate parent undertaking, entered into an agreement to sell the Life Services business owned by Pearl Group to Life Company Investor Group Limited (the Purchaser). Shareholder approval was obtained at an Extraordinary General Meeting held on 21 February 2005 and it is anticipated that regulatory approval by the Financial Services Authority and satisfaction of conditions relating to the HHG Staff Pension Scheme will be obtained to enable Completion of the sale in April 2005. Further details are provided in note 18 to the accounts.

On 24 March 2005, Pearl Group formerly registered as limited, was re-registered under the Companies Act 1985 as unlimited.

**DIVIDENDS**

The directors do not recommend the payment of any ordinary dividends for 2004 (2003: nil).

**DIRECTORS AND THEIR INTERESTS**

The names of the directors as at 31 December 2004 and at the date of this report are set out on page 2. Additional information in relation to changes in directors is as follows:

B J Meehan	Resigned 31 March 2004
J S Moss	Appointed 31 March 2004
N T Hiscock	Appointed 14 September 2004
J S B Smith	Appointed 14 September 2004
P J Costain	Resigned 15 September 2004
A C Hotson	Resigned 15 September 2004
Sir William Wells	Resigned 15 September 2004
Sir Malcolm Bates	Resigned 15 October 2004

**PEARL GROUP**  
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**DIRECTORS' REPORT (continued)**

**DIRECTORS AND THEIR INTERESTS (continued)**

The directors' shareholdings in HHG PLC, the ultimate parent undertaking, were:

Name of director	31 December 2004	1 January 2004/ date of appointment
	No. of shares held	No. of shares held
N T Hiscock	70,954	10,891
J S Moss	-	-
J S B Smith	1,547	1,547


During the year the directors were granted the following options in shareholdings in HHG PLC, the ultimate parent undertaking:

	Long-Term Incentive Plan	Share Save Scheme	Share Incentive Plan
N T Hiscock	1,052,170	22,656	-
J S Moss	548,005	-	-
J S B Smith	233,449	22,656	3,078

**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



J A Gregory  
Secretary

Date: 1 April 2005

**PEARL GROUP**  
**(Formerly Pearl Group Limited)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

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 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 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.

**PEARL GROUP**  
**(Formerly Pearl Group Limited)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARL GROUP**

We have audited the Company's accounts for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 19. These accounts have been prepared on the basis of 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**

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

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

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 if, in our opinion, the Directors' Report is not consistent with the accounts, if 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 transactions with the Company 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 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 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 of the state of affairs of the Company at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor

Date: 1 April 2005

1 More London Place  
London  
SE1 2AF

**PEARL GROUP**  
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**PROFIT AND LOSS ACCOUNT**

**for the year ended 31 December 2004**

	Notes	31 Dec 04 £'000	31 Dec 03 £'000
Administration expenses		-	(17)
Other operating income		61,850	41
Income from shares in group undertakings		13	5,020
Interest receivable and similar income	3	469	-
Amounts written off investments in subsidiary undertakings	9a	(162,414)	(803,730)
Interest payable and similar charges	4	(467)	(18,824)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		<b>(100,549)</b>	<b>(817,510)</b>
Tax charge/(credit) on loss on ordinary activities	8	-	-
		<hr/>	<hr/>
<b>Loss on ordinary activities after taxation</b>		<b>(100,549)</b>	<b>(817,510)</b>
		<hr/>	<hr/>
<b>Retained loss for the financial year</b>	14	<b>(100,549)</b>	<b>(817,510)</b>

All activities relate to continuing operations.

There are no recognised gains or losses for 2004 or 2003 other than the loss on ordinary activities shown above.



**PEARL GROUP**  
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**BALANCE SHEET**

**31 December 2004**

	Notes	31 Dec 04 £'000	31 Dec 03 £'000
<b>Fixed assets:</b>			
Investments in subsidiary undertakings	9	1,228,191	954,521
		<hr/>	<hr/>
<b>Current assets:</b>			
Debtors	10	598	130
Investments	11	84	84
Cash at bank and in hand		34	17
		<hr/>	<hr/>
		716	231
<b>Creditors: amounts falling due within one year</b>	12	(146,417)	(951)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(145,701)	(720)
		<hr/>	<hr/>
<b>Total assets less current liabilities and net assets</b>		<u>1,082,490</u>	<u>953,801</u>
<b>Capital and reserves:</b>			
Called up share capital	13	865,863	865,863
Share premium account	14	-	957,032
Capital reserve	14	229,238	-
Profit and loss account	14	(12,611)	(869,094)
		<hr/>	<hr/>
<b>Shareholders' funds attributable to equity interests</b>	14	<u>1,082,490</u>	<u>953,801</u>

The accounts were approved by the Board of Directors on 1 April and signed on its behalf by:  
2005



Director

**PEARL GROUP**  
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**NOTES ON THE ACCOUNTS**

**1. ACCOUNTING POLICIES**

**a) Basis of presentation**

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention modified to include the revaluation of fixed asset investments.

The accounts present information about the Company as an individual undertaking as it is exempt from the obligation to prepare group accounts under Section 228 of the Companies Act 1985.

**b) Fixed asset investments**

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

**c) Current asset investments**

Current asset investments consist of authorised collective investment schemes which are included at middle market value and short term deposits which are included at cost.

**d) Investment income, realised and unrealised gains and losses on investments**

Dividends are included as investment income on the date that the shares become quoted ex-dividend. Interest is included on an earned basis.

Realised gains and losses are reported in the profit and loss account and are calculated as the difference between net sale proceeds and the net carrying amount.

**e) 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 19 on the accounts.

**2. AUDITORS' REMUNERATION**

All audit fees are borne by HHG PLC, the ultimate parent undertaking.

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	31 Dec 04	31 Dec 03
	£'000	£'000
Loan to group undertaking	467	-
Other income	2	-
	<hr/> 469	<hr/> -

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	31 Dec 04	31 Dec 03
	£'000	£'000
Loan from group undertaking	467	18,824
	<hr/> 467	<hr/> 18,824

**PEARL GROUP**  
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**NOTES ON THE ACCOUNTS (continued)**

**5. EMPLOYEE INFORMATION**

The company has no employees. Staff were provided by HHG Services Limited.

**6. SEGMENTAL ANALYSIS**

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

**7. DIRECTORS' REMUNERATION**

	31 Dec 04	31 Dec 03
	£	£
Emoluments (excluding pension contributions and awards under share option schemes and other long term incentive schemes)	<u>790,449</u>	<u>587,870</u>
<b>Contributions to money purchase pension schemes</b>	<u>13,478</u>	<u>10,240</u>
<b>Compensation to former director for loss of service</b>	<u>264,125</u>	<u>-</u>
	Number	Number
<b>Number of directors who:</b>		
are members of a money purchase pension scheme	2	1
have received share awards during the year in the form of shares under long term incentive schemes	<u>1</u>	<u>-</u>
	£	£
<b>Highest paid director's remuneration:</b>		
Aggregate amount of emoluments and awards under long term incentive scheme (excluding pension contributions, share options gains and share awards arising from long term incentive schemes)	<u>510,326</u>	<u>326,828</u>
<b>Contributions to money purchase schemes</b>	<u>10,631</u>	<u>10,240</u>

The highest paid director is not a member of a defined benefit pension scheme.

The emoluments disclosed in the notes to these accounts are in respect of the directors with qualifying services for the Company and for those directors comprise their total emoluments in respect of services to the HHG Group. These total emoluments have also been included in each of the other group companies for which the director has qualifying services.

**8. TAXATION**

**a) Tax charge**

The total UK current corporation tax charge on the loss for the year is £nil (2003:£nil).

After taking into account reliefs to which the company is entitled, provision for UK corporation tax on losses has been made at a rate of 30% (2003: 30%).

**PEARL GROUP**  
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**NOTES ON THE ACCOUNTS (continued)**

**8. TAXATION (continued)**

**b) Factors affecting tax charge for the year**

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

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

	31 Dec 04 £'000	31 Dec 03 £'000
Loss on ordinary activities before taxation	<u>(100,549)</u>	<u>(817,510)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(30,165)	(245,253)
Effects of:		
Non taxable unrealised investment losses	30,170	241,119
Non taxable income	(4)	(1,506)
Group relief surrendered for no charge	-	5,640
Utilisation of losses	(1)	-
	<u>-</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

**c) Factors that may affect future tax charges**

If the investments were sold at net book value there will be no tax payable or recoverable.

	£'000	£'000
Unprovided deferred tax assets carried forward at the balance sheet date	<u>7,606</u>	<u>-</u>

The unprovided deferred tax asset arises from the Company's ongoing activities and will be available to offset against the Company's taxable profits in future periods.

**9. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

	31 Dec 04 £'000	31 Dec 03 £'000
Shares in subsidiary undertakings (note a)	1,083,191	954,521
Loan to subsidiary undertaking (notes 17b and 17c)	145,000	-
	<u>1,228,191</u>	<u>954,521</u>

**PEARL GROUP**  
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**NOTES ON THE ACCOUNTS (continued)**

**9. INVESTMENTS (continued)**

a) Shares in subsidiary undertakings:	31 Dec 04	31 Dec 03
	£'000	£'000
<b>Cost:</b>		
At 1 January	1,803,226	1,803,226
Additions:		
- Investment in NPI Limited (note 17a)	168,000	-
- Investment in HHG Services Limited (note 17a)	9,591	-
- Investment in UKLS Financial Services Limited (note 17a)	3,000	-
- Investment in NPI Self Invested Personal Pensions Limited (note 17a)	75	-
- Investment in Premier Pensions Trustees Limited (note 17a)	715	-
- Investment in London Life Holdings Limited (note 17c)	109,703	-
- Investment in Pearl Assurance Group Holdings Limited (note 17d)	230,238	-
Disposals:		
- Investment in NPI Limited (note 17d)	(168,000)	-
- Investment in HHG Services Limited (note 17d)	(9,591)	-
- Investment in UKLS Financial Services Limited (note 17d)	(3,000)	-
- Investment in NPI Self Invested Personal Pensions Limited (note 17d)	(75)	-
- Investment in Premier Pensions Trustees Limited (note 17d)	(715)	-
- Investment in London Life Holdings Limited (note 17d)	(109,703)	-
- Investment in Pearl ISA Limited (note 17d)	(1,000)	-
	<hr/>	<hr/>
At 31 December	2,032,464	1,803,226
<b>Provision for impairment:</b>		
At 1 January	(848,705)	(44,975)
Charge during year:		
- Investment in Pearl Assurance Group Holdings Limited (note 9b)	(100,568)	(803,730)
- Investment in London Life Holdings Limited (note 17c)	(61,846)	-
Disposals:		
- Investment in London Life Holdings Limited (note 17d)	61,846	-
	<hr/>	<hr/>
At 31 December	(949,273)	(848,705)
<b>Net book value:</b>		
At 31 December	<hr/> 1,083,191	<hr/> 954,521

- b) On 9 December 2004, the Company and HHG PLC, the Company's ultimate parent undertaking, entered into an agreement to sell the Life Services business to Life Company Investor Group Limited. In order to facilitate this, on 7 December 2004 a series of transactions were undertaken which resulted in the formation of a consolidated Life Services sub group held by Pearl Assurance Group Holdings Limited, a wholly owned subsidiary of the Company. The investment in Pearl Assurance Group Holdings Limited was then impaired by £100,568,000 to its net realisable value. See notes 17 and 18 for further details.

**PEARL GROUP**  
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**NOTES ON THE ACCOUNTS (continued)**

**10. DEBTORS**

	31 Dec 04 £'000	31 Dec 03 £'000
Amounts recoverable from group undertakings	583	116
Prepayments and accrued income	15	14
	<hr/> 598	<hr/> 130

**11. INVESTMENTS**

Units in unit trusts	Market value and cost £'000
At 1 January 2004 and 31 December 2004	<hr/> 84

All units in unit trusts are listed investments.

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 Dec 04 £'000	31 Dec 03 £'000
Amounts owed to group undertakings	1,417	951
Loan due to group undertaking (note 17b)	145,000	-
	<hr/> 146,417	<hr/> 951

The loan incurs interest at 6 month libor.

**13. SHARE CAPITAL**

	31 Dec 04 £'000	31 Dec 03 £'000
<b>Authorised:</b>		
Equity shares:		
17,361,520,000 ordinary shares of 5p each	<hr/> 868,076	<hr/> 868,076
 <b>Allotted, called up and fully paid:</b>		
Equity shares:		
17,317,256,612 ordinary shares of 5p each	<hr/> 865,863	<hr/> 865,863

**PEARL GROUP**  
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**NOTES ON THE ACCOUNTS (continued)**

**14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share capital	Share premium account	Capital contribution	Profit and Loss Account	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2003	553,663	957,032	-	(51,584)	1,459,111
Loss for the financial year 2003	-	-	-	(817,510)	(817,510)
Issue of shares (note a)	312,200	-	-	-	312,200
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	865,863	957,032	-	(869,094)	953,801
Cancellation of the share premium account (note b)	-	(957,032)	-	957,032	-
Capital contribution received (note 17a and 17b)	-	-	229,238	-	229,238
Loss for the financial year 2004	-	-	-	(100,549)	(100,549)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	<u>865,863</u>	<u>-</u>	<u>229,238</u>	<u>(12,611)</u>	<u>1,082,490</u>

**Notes**

- a) On 17 December 2003, the authorised share capital was increased by £312,200,000 by the creation of 6,244,000,000 ordinary shares of 5p each and the same number of shares were then issued at par for cash.
- b) On 13 October 2004, Pearl Group was authorised by Court Approval to cancel its share premium account.

**PEARL GROUP**  
**(Formerly Pearl Group Limited)**

**NOTES ON THE ACCOUNTS (continued)**

**15. SUBSIDIARY UNDERTAKINGS**

The principal subsidiaries of the Company are as follows:

	Country of incorporation and principal place of operation	Class of shares held (wholly-owned)
<b>a) Insurance companies:</b>		
Pearl Assurance plc	UK	'A' ordinary shares of 5p 'B' ordinary shares of £1
NPI Limited (subsidiary of Pearl Assurance Group Holdings Limited)	UK	Ordinary shares of £1
Pearl Assurance (Unit Funds) Limited	UK	Ordinary shares of £1
Pearl Assurance (Unit Linked Pensions) Limited	UK	Ordinary shares of £1
National Provident Life Limited (subsidiaries of Pearl Assurance plc)	UK	Ordinary shares of £1
London Life Limited	UK	Ordinary shares of £1
London Life Linked Assurances Limited (subsidiaries of London Life Holdings Limited)	UK	Ordinary shares of £1
<b>b) Non-insurance companies:</b>		
Pearl Assurance Group Holdings Limited (holding company)	UK	Ordinary shares of £1
Pearl Unit Trusts Limited (unit trust management)	UK	Ordinary shares of £1
HHG Services Limited (service company)	UK	Ordinary shares of £1
UKLS Financial Services Limited (financing company)	UK	Ordinary shares of £1
London Life Holdings Limited (holding company)	UK	Ordinary shares of £1
Premier Pension Trustees Limited (pensioner trustee services)	UK	Ordinary shares of £1
NPI Self Invested Personal Pensions Limited (pensions management)	UK	'B' ordinary shares of £1
Pearl ISA Limited (ISA management) (subsidiaries of Pearl Assurance Group Holdings Limited)	UK	Ordinary shares of £1

The information disclosed above is only in respect of those undertakings which principally affect the figures shown in the Company's accounts. There are a number of other subsidiary undertakings whose businesses do not materially affect the Company's profits or the amounts of its assets and particulars of these have been omitted in view of their excessive length.



**PEARL GROUP**  
**(Formerly Pearl Group Limited)**

**NOTES ON THE ACCOUNTS (continued)**

**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.

**17. GROUP RESTRUCTURE**

On 9 December 2004, the Company and HHG PLC, the Company's ultimate parent undertaking, entered into an agreement to sell its Life Services business to Life Company Investor Group Limited. In order to facilitate this, on 7 December 2004 a series of transactions were undertaken which resulted in the formation of a consolidated Life Services sub group held by Pearl Assurance Group Holdings Limited, a wholly owned subsidiary of the Company. Details are as follows:

- a) HHG PLC made a capital contribution to the Company of £181,381,120 represented by HHG PLC's investment in the entire share capital of NPI Limited, HHG Services Limited, London Life Holdings Limited, Premier Pension Trustees Limited, UKLS Financial Services Limited and NPI Self Invested Personal Pensions Limited.
- b) HHG PLC made an assignment to the Company of all the benefits in and under a loan agreement between HHG PLC and London Life Holdings Limited, of £254,702,791. This was in consideration for the making of a new loan of £145,000,000 from HHG PLC which incurs interest at 6 month libor. There was a profit on assignment of the London Life Holdings Limited loan of £61,846,094. The remaining £47,856,697 formed an additional contribution from HHG PLC to the Company.
- c) A repayment of £109,702,790 of the London Life Holdings Limited loan of £254,702,791 (in note b above) in consideration for the purchase of 109,702,790 new, fully paid ordinary shares of £1 each in London Life Holdings Limited. This investment was subsequently impaired by £61,846,094 to £47,856,697. The remaining balance of £145,000,000 loan to London Life Holdings incurs interest at 3 month libor.
- d) The Company made a capital contribution to Pearl Assurance Group Holdings Limited of £230,237,817 represented by its investments in NPI Limited, HHG Services Limited, London Life Holdings Limited, Premier Pension Trustees Limited, UKLS Financial Services Limited, NPI Self Invested Personal Pensions Limited and Pearl ISA Limited.

**18. POST BALANCE SHEET EVENT**

On 9 December 2004, the Company and HHG PLC, the Company's ultimate parent undertaking, entered into an agreement to sell the Life Services business owned by Pearl Group to Life Company Investor Group Limited. Shareholder approval was obtained at an Extraordinary General Meeting held on 21 February 2005 and it is anticipated that regulatory approval by the Financial Services Authority and satisfaction of conditions relating to the HHG Staff Pension Scheme will be obtained to enable Completion of the sale in April 2005.

Life Services comprises principally the life insurance and pensions books of Pearl, London Life, National Provident Life and NPI, which are closed to new business, various unit-linked life insurance companies and HHG Services Limited which provides administrative services to these businesses. All of these are directly or indirectly owned by Pearl Assurance Group Holdings Limited, a wholly owned subsidiary of the Company.

The consideration payable to the Company for the sale of Life Services will be satisfied by cash payment on Completion of £1.070bn. In addition, the Purchaser will transfer to the Company at Completion the benefit of a receivable of £34,000,000 representing the value of the stake in Banca Popolare di Lodi (BPL) and related entities held in Pearl's shareholder fund. It is expected that the Company will bear associated professional fees and transaction costs of £23,000,000. The Company has impaired its investment in Pearl Assurance Group Holdings Limited by £100,568,000 to its net reliable value (note 9b). No profit or loss on disposal is therefore anticipated in the Company in 2005.

**PEARL GROUP**  
**(Formerly Pearl Group Limited)**

**NOTES ON THE ACCOUNTS (continued)**

**18. POST BALANCE SHEET EVENT (continued)**

On 24 March 2005, Pearl Group, formerly registered as a limited company, was re-registered under the Companies Act 1985 as an unlimited company.

**19. PARENT UNDERTAKINGS**

The Company's immediate and ultimate parent undertaking is HHG PLC. A copy of the group accounts can be obtained from its registered office 4 Broadgate, London, EC2M 2DA.