

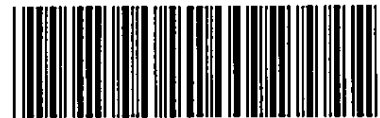
Registration No 4314683

CLERICAL MEDICAL (RETAIL) GP LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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CLERICAL MEDICAL (RETAIL) GP LIMITED

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CLERICAL MEDICAL (RETAIL) GP LIMITED
DIRECTORS AND COMPANY INFORMATION

DIRECTORS	S J Colsell T A Leonard
SECRETARY	P J Veale
REGISTERED OFFICE	33 Old Broad Street London EC2N 1HZ
PRINCIPAL PLACE OF BUSINESS	<i>Bristol Head Office</i> 10 Canons Way Bristol BS1 5LF
AUDITORS	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB

CLERICAL MEDICAL (RETAIL) GP LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2007

PRINCIPAL ACTIVITY

The principal activity of the company is to invest in commercial property

REVIEW OF ACTIVITIES

During the year the Company incurred a loss on its investment in a property unit trust

FUTURE DEVELOPMENTS

The company will continue to invest in commercial property

RESULT AND DIVIDEND

The results for the year are shown in the income statement on page 8. No interim dividends were paid in the year (2006: £nil). The Directors do not recommend the payment of a final dividend.

POST BALANCE SHEET EVENTS

No significant events affecting the company have occurred since 31 December 2007.

GOING CONCERN

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the accounts.

AUDIT INFORMATION

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

ULTIMATE HOLDING COMPANY

HBOS plc is the ultimate parent undertaking of Clerical Medical (Retail) GP Limited and heads the largest group into which the accounts of the Company are consolidated. The consolidated accounts of HBOS plc may be obtained from its head office at The Mound, Edinburgh EH1 1YZ.

RISK MANAGEMENT

The risks associated with the activities of the Company are overseen by the Risk Control Committee of the Insurance & Investment Division of HBOS plc. The Committee, which is chaired by a Director of HBOS plc, reviews all risk and compliance issues affecting the Company, as well as the other companies within the Insurance & Investment Division.

In addition to the Risk Control Committee, there are a number of other committees responsible for different aspects of corporate governance of HBOS plc and its major subsidiaries. Further details of these committees and compliance with the Combined Code on corporate governance are included in the HBOS plc annual report and accounts.

CLERICAL MEDICAL (RETAIL) GP LIMITED

DIRECTORS' REPORT (CONT)

DIRECTORS


The directors who served during the period were as follows

S J Colsell	
T A Leonard	

AUDITORS AND ANNUAL GENERAL MEETING

Pursuant to a resolution passed by the member, the company has elected to dispense with the holding of Annual General Meetings, of laying financial statements and reports before the company in General Meeting, and with the obligation to reappoint auditors annually KPMG Audit Plc, having expressed their willingness to do so, will continue in office as auditor

By Order of the Board



Peter John Veale
Secretary

Registered Office
33 Old Broad Street
London
EC2N 1H2

21 February 2008

CLERICAL MEDICAL (RETAIL) GP LIMITED

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

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

Company law requires the directors to prepare company financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with IFRSs as adopted by the EU.

The company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the company and the performance for that period. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements 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 enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report and a Business Review.

CLERICAL MEDICAL (RETAIL) GP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLERICAL MEDICAL (RETAIL) GP LIMITED

We have audited the financial statements of Clerical Medical (Retail) GP Limited for the year ended 31 December 2007, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 6.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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 judgments 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 IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

21 February 2008

KPMG Audit Plc

8 Salisbury Square
London
EC4Y8BB

CLERICAL MEDICAL (RETAIL) GP LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
Revenue	1	-	-
Profit from Operations	2	-	-
Financial Income	3	4,710	4,858
Financial Expense	3	(39,100)	(900)
Net Financial (Expense)/Income	3	(34,390)	3,958
(Loss)/Profit before Tax		(34,390)	3,958
Income Tax Credit/(Expense)	4	9,517	(1,187)
Net (Loss)/Profit for the Year		(24,873)	2,771

The company has no recognised gains or losses other than the profit for the financial year shown above

The notes on page 12 to 17 form part of these accounts

CLERICAL MEDICAL (RETAIL) GP LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2007

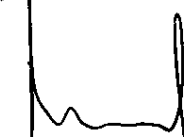
	Note	2007 £	2006 £
Assets			
Financial Assets at Fair Value through the Income Statement	5	109,400	148,500
Deferred Tax Asset	6	11,200	270
Total Current Assets		<u>120,600</u>	<u>148,770</u>
 Total Assets		 <u>120,600</u>	 <u>148,770</u>
 Equity			
Issued Share Capital	8	2	2
Retained earnings		(20,002)	4,871
Total Equity		<u>(20,000)</u>	<u>4,873</u>
 Liabilities			
Trade and Other Payables	7	140,600	143,897
Total Liabilities		<u>140,600</u>	<u>143,897</u>
 Total Equity and Liabilities		 <u>120,600</u>	 <u>148,770</u>

These accounts were approved by the Board of Directors and were signed on its behalf by -



S J COLSELL

DIRECTOR



T A LEONARD

DIRECTOR

21 February 2008

The notes on pages 12 to 17 form part of these accounts

CLERICAL MEDICAL (RETAIL) GP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Issued Share Capital	Retained Earnings	Total
	£	£	£
Balance at 1 January 2006	2	2,100	2,102
Profit for the year	-	2,771	2,771
Balance at 31 December 2006	<u>2</u>	<u>4,871</u>	<u>4,873</u>
 Balance at 1 January 2007	 2	 4,871	 4,873
Loss for the year	-	(24,873)	(24,873)
Balance at 31 December 2007	<u>2</u>	<u>(20,002)</u>	<u>(20,000)</u>

The notes on pages 12 to 17 form part of these accounts

CLERICAL MEDICAL (RETAIL) GP LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	£	£
Cash Flow from Operating Activities		
(Loss)/Profit before Tax for the Year	(34,390)	3,958
Adjustment for Non-Cash Items		
Movement in Receivables	(10,930)	3,004
Movement in Payables	6,220	141,536
Financial Income	34,390	(3,958)
Unrealised Loss on Investments	39,100	900
Net Cash Flow Operating Activities	<u>34,390</u>	<u>145,440</u>
Cash Flow from Investing Activities		
Disposal of Subsidiaries	-	2
Purchase of Investments	-	(149,400)
Financial Income	(34,390)	3,958
Net Cash Flow from Investing Activities	<u>(34,390)</u>	<u>(145,440)</u>
Net (Decrease) / Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at 1 January	<u>-</u>	<u>-</u>
Cash and Cash Equivalents at 31 December	<u>-</u>	<u>-</u>

The notes on pages 12 to 17 form part of these accounts

CLERICAL MEDICAL (RETAIL) GP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 SIGNIFICANT ACCOUNTING POLICIES

Clerical Medical (Retail) GP Limited ("the Company") is a company domiciled in the United Kingdom

The financial statements were authorised for issue by the directors on 21 February 2008

1.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as endorsed by the EU and effective (or available for early adoption) at 31 December 2007

In preparing these financial statements, the company has adopted IFRS 7 *Financial Instruments Disclosures* and IAS 1 *Presentation of Financial Statements – Capital Disclosures*. The adoption of IFRS 7 and the amendment to IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the company. In accordance with the transitional requirements of the standards, the company has provided full comparative information

1.2 BASIS OF PREPARATION

The financial statements are presented in Sterling, rounded to the nearest pound

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

(a) Investments in debt and equity securities

Debt securities designated as fair value through the income statement are carried at fair value with gains and losses taken to net trading income as they arise

Equity shares designated as fair value through the income statement are carried at fair value with gains and losses taken to net trading income as they arise. Income from listed equity shares is credited to other operating income on the ex-dividend date and from unlisted equity shares on an equivalent basis

(b) Trade and other receivables

Trade and other receivables are stated at amortised cost

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows

(d) Dividends

Dividends are recognised in the period in which the dividend is paid

CLERICAL MEDICAL (RETAIL) GP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT)

1 SIGNIFICANT ACCOUNTING POLICIES (CONT)

1.2 BASIS OF PREPARATION (CONT)

(e) Trade and other payables

Trade and other payables are stated at amortised cost

(f) Financial income

Financial income is recognised in the income statement as it accrues, using the effective interest method

(g) Financial expenses

Financial expenses comprise unrealised losses on investments and are recognised in the period in which they accrue

(h) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates at the balance sheet date.

(i) Revenue

Revenue represents amounts received from Clerical Medical (Retail) Limited Partnership, and is recognised on an accruals basis. Income and expenditure are recognised on an accruals basis.

2 PROFIT FROM OPERATIONS

Audit fees, filing fees and other fees payable are met by the parent undertaking and amount to £1,161 (2006: £1,517).

The company has no employees (2006: nil).

CLERICAL MEDICAL (RETAIL) GP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT)

3 NET FINANCIAL INCOME

	2007	2006
	£	£
Financial income		
Income from Investments	4,710	4,858
	<hr/>	<hr/>
	4,710	4,858
Financial expense		
Unrealised Losses on Investments	(39,100)	(900)
	<hr/>	<hr/>
	(39,100)	(900)
	<hr/>	<hr/>
Net Financial Income	(34,390)	3,958
	<hr/>	<hr/>

4 INCOME TAX EXPENSE

(a) Recognised in the income statement

	2007	2006
	£	£
Current tax expense.		
Current period	1,413	1,457
Deferred tax credit:		
Origination and reversal of temporary differences	(10,930)	(270)
Total Income tax expense in income statement	<hr/> (9,517) <hr/>	<hr/> 1,187 <hr/>

(b) Reconciliation of effective tax rate

	2007	2006
	£	£
Profit/(loss) before tax	(34,390)	3,958
Income tax using the domestic corporation tax rate	<hr/> 10,317	<hr/> 1,187
Deferred tax adjustment for reduction in future tax rate	(800)	-
Total Income tax expense in income statement	<hr/> 9,517 <hr/>	<hr/> 1,187 <hr/>

CLERICAL MEDICAL (RETAIL) GP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT)

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT

	2007	2006
	£	£
Investment in Property Unit Trusts	109,400	148,500
	<u>109,400</u>	<u>148,500</u>

6 DEFERRED TAX ASSETS AND LIABILITIES

Recognised Deferred Tax Assets and Liabilities

	2007	2006
	£	£
Assets		
Revaluation of Investments	11,200	270
Net Deferred Tax Assets	<u>11,200</u>	<u>270</u>

Movement in temporary differences during the year

	Recognised in Income	Balance at 31 December 2007
	£	£
Assets		
Revaluation of Investments	<u>10,930</u>	<u>11,200</u>

The 2007 budget announcement included a change in the UK corporation tax rate from 30 percent to 28 percent from 1 April 2008. The Bill for the 2007 Finance Act has now passed through the House of Commons, substantively enacting the rate change. UK deferred tax assets and liabilities have therefore been measured at 28% to the extent that the underlying temporary difference will reverse in a period to which the new rate applies. The effect of the re-measurement has been taken to the income statement or equity based where the original entry to recognise the deferred tax was recorded.

7 TRADE AND OTHER PAYABLES

	2007	2006
	£	£
Non-Trade payables due to parent undertaking	140,600	143,897
	<u>140,600</u>	<u>143,897</u>

8 CAPITAL AND RESERVES

	2007	2006
	£	£
Authorised 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid	<u>2</u>	<u>2</u>

CLERICAL MEDICAL (RETAIL) GP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT)

8 CAPITAL AND RESERVES

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

The capital of the company is equivalent to total shareholders' equity. The Board's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders

The distributable reserves of the company are managed through the Group Capital and Funding Policy in order to maximise capital efficiency within the HBOS Group. Dividends are paid from reserves available for distribution to the parent undertaking twice a year according to parameters set out at a Group level so as to avoid any build up of reserve balances within the company. The Company is not subject to externally imposed capital requirements

There have been no material changes in the Group's approach to capital management during the year

9 RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its ultimate controlling party HBOS plc and a number of that company's fellow subsidiaries, its Directors and the post-employment benefit plan established for the benefit of its Directors as detailed in the Directors' report

No Director has an interest in the voting shares of the Company itself

During the year ended 31 December 2007 the Company received/provided services in the normal course of business from/to related parties as set out below

Relationship	Transactions in the Year		Outstanding Balance at 31 December	
	2007 £	2006 £	2007 £	2006 £
Other receivables: total	-	-	-	-
Of which:				
Other Group companies				
Partner's drawings due from Clerical Medical (Retail) Partnership	-	-	-	-
Other payables: total	6,123	158,721	(140,600)	(143,897)
Of which:				
Parent company				
Clerical Medical Investment Group Ltd				
Tax paid or payable on behalf of the Company	1,413	1,457		
Partnership transactions settled on behalf of the Company	-	3,006	(140,600)	(143,897)
Transactions in respect of investments	4,710	154,258		

All the transactions summarised above were entered into on an arm's length basis. The amounts outstanding at the end of the year are included in other receivables / payables as appropriate and are repayable on demand unless otherwise specified in the relevant note. The company did not pay any dividends in the year ended 31 December 2007 (2006: £nil)

CLERICAL MEDICAL (RETAIL) GP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT)

9 RELATED PARTY TRANSACTIONS (CONT)

Directors' emoluments

Directors provide services to a number of companies, in some cases including companies for which they do not act as Directors. Their benefits are allocated to the companies to which they provide services depending on the proportion of their time that they spend on each company. The proportion of their benefits allocated to a company for which they act as Directors are disclosed in that company's financial statements. The Directors of the Company do not spend a significant proportion of their time providing services direct to the Company and consequently no Directors' emoluments are disclosed for the year (2006 nil). Their emoluments have been allocated to those companies on which they do spend a significant proportion of their time.