

Insight Investment Management (Nominees) Limited

Directors' Report and Financial Statements

Year ended 31 December 2005

Registered No. 4459449



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Directors' report

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of Insight Investment Management (Nominees) Limited ("the Company") is to hold investments for the account of third parties.

Business review

The Company was dormant (within the meaning of section 249AA of the Companies Act 1985) throughout the period to 31 December 2005. Accordingly, the Company has taken advantage of the relevant provisions of the Companies Act 1985 to submit modified financial statements to the Registrar of Companies.

The directors do not envisage any change in the Company's activity in the foreseeable future.

The Company did not trade during the period, and accordingly it made neither a profit nor a loss for the period.

Directors and directors' interests

The directors who held office during the period were as follows:

	Appointed
Charles Farquharson	18 February 2005
Douglas Ferrans	
Keith Lovett	

Directors' beneficial interests in the ordinary share capital of HBOS plc are as follows:

	At 31 December 2005	At 31 December 2004
	Ordinary Shares	Ordinary Shares
	of 25p each	of 25p each
Charles Farquharson	333	0*
Douglas Ferrans	36,303	15,170
Keith Lovett	19,694	11,053

* as at date of appointment

Directors' report (continued)

Directors and directors' interests (continued)

According to the register of directors' interests, no rights to subscribe for shares in or debentures of HBOS plc, the ultimate holding company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

	At start of year	During the year		At end of year
		Granted	Exercised	
	Number of options			
HBOS plc Short Term Bonus Scheme (25p Ordinary Shares)				
Douglas Ferrans	6,334	8,225	1,220	13,339
Keith Lovett	5,399	4,133	0	9,532
HBOS plc All Employee Share Option Plan (25p Ordinary Shares)				
Keith Lovett	13,071	0	0	13,071
HBOS plc Sharesave (25p Ordinary Shares)				
Douglas Ferrans	3,463	0	0	3,463
Keith Lovett	3,036	0	0	3,036
Charles Farquharson	0*	2,473	0	2,473

None of the other directors who held office at the end of the financial year had any interest in the shares in, or debentures of, any Group company either at the beginning of the year or at a later date of appointment or at the end of the year.

* as at date of appointment

Directors' report (continued)

Auditor

KPMG Audit Plc, having expressed its willingness to do so, will continue in office as auditor.

International financial reporting standards

These accounts are prepared in accordance with applicable United Kingdom law and with International Financial Reporting Standards, consistent with the Company's ultimate parent company, HBOS plc.

By order of the board



John Veale
Secretary

33 Old Broad Street
London
EC2N 1HZ

22 February 2006

Statement of directors' responsibilities in respect of the financial statements

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

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

The financial statements are required by law to present fairly the financial position and performance of the Company; 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

Independent auditors' report to the members of Insight Investment Management (Nominees) Limited

We have audited the financial statements of Insight Investment Management (Nominees) Limited for the year ended 31 December 2005 which comprise the Balance Sheet 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 4.

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 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 other transactions is not disclosed.

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 IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2004; and the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

KPMG Audit Plc


KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
22 February 2006

Balance sheet

as at 31 December 2005

	Note	2005 £	2004 £
Current assets			
Debtors: due from parent company	4	<u>1</u>	<u>1</u>
Total current assets		<u>1</u>	<u>1</u>
Total assets		<u>1</u>	<u>1</u>
Equity			
Issued capital	5	<u>1</u>	<u>1</u>
Total equity		<u>1</u>	<u>1</u>

These financial statements were approved by the board of directors on 22 February 2006 and were signed on its behalf by:



Douglas Ferrans
Director



Keith Lovett
Director

The notes on pages 7 and 8 form part of these financial statements.

Notes to the financial statements

1. Significant accounting policies

Insight Investment Management (Nominees) Limited (the "Company") is a company domiciled in the United Kingdom.

The financial statements were authorised for issue by the directors on 22 February 2006

(a) 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 2005.

The accounting policies set out below have been applied in respect of the financial year ended 31 December 2005. IAS 32 and IAS 39 only became effective from 1 January 2005. Accordingly, the 2004 comparatives do not reflect the provisions of these standards, which have been prepared in accordance with the applicable UK accounting standards in force for that period.

These are the Company's first financial statements on an IFRS basis.

(b) Basis of preparation

The financial statements are presented in Sterling. They are prepared on the historical cost basis except for current asset investments, which are stated at their fair value:

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

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.

2. Income statement

An income statement has not been prepared as the Company received no income during the year and its expenses were borne by a fellow subsidiary undertaking.

3. Remuneration of directors

None of the directors received any emoluments from Insight Investment Management (Nominees) Limited in respect of their services to the Company during the period.

Notes to the financial statements (continued)

4. Trade and other receivables

	2005 £	2004 £
Called-up share capital not paid	<u>1</u>	<u>1</u>

5. Issued capital

	2005 £	2004 £
Authorised		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and not paid		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

6. Related parties

The Company is a wholly owned subsidiary undertaking of Insight Investment Management Limited, which is registered in England and Wales and operates in the United Kingdom. HBOS plc is the ultimate parent undertaking and heads the largest higher group of undertakings for which group accounts are drawn up and of which the Company is a member. Copies of the financial statements of HBOS plc may be obtained from HBOS plc, The Mound, Edinburgh, EH1 1YZ, which is its principal place of business.