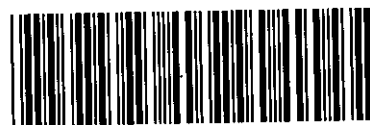


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SOVEREIGN HILL LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2005

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COMPANIES HOUSE

Company Registration Number FC024509

SOVEREIGN HILLI LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

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SOVEREIGN HILLI LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

R L Banks
M W Evans
C S Jones
C R Morley
A B Swann
R L Towers

COMPANY SECRETARY

Ms D Hubbard-Taylor

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

AUDITOR

Deloitte & Touche LLP
Chartered Accountants
& Registered Auditors
Manchester

BANK

Alliance & Leicester Commercial Bank plc
Bridle Road
Bootle
Merseyside
GIR 0AA

SOVEREIGN HILLI LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2005

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year has been that of lessors and financiers, principally high value assets in the commercial sector.

New business written in the year is disclosed in note 2 of the attached financial statements.

The future prospects of the company are considered satisfactory.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend (year to 31 December 2004: £Nil).

DIRECTORS

The directors who served the company throughout the year were as follows:

R L Banks
M W Evans
C S Jones
C R Morley
A B Swann
R L Towers

None of the directors holds any beneficial interest in the shares or debentures of this company. R L Banks is a director of Alliance & Leicester plc, the ultimate parent company and his interests in other group companies are shown in that company's accounts. M W Evans, C R Morley, A B Swann and RL Towers are directors of the Alliance & Leicester Commercial Finance plc, the immediate parent company and their interests in other group companies are shown in that company's accounts.

C S Jones has beneficial interest in 982 fully paid ordinary shares of 50p each in the ultimate parent undertaking, Alliance & Leicester plc, at 31 December 2005 (771 shares at 1 January 2005).

SOVEREIGN HILLI LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2005

Options to acquire shares

C S Jones has options to subscribe for such shares granted under the terms of the Alliance & Leicester Share Option Schemes as follows:

At 01.01.2005	Number of options		At 31.12.2005	Exercise price	Market price at date of exercise	Exercise period
	Granted	Exercised				
2,618			2,618	£3.644 §		01/11/2006-01/05/2007
2,455		(2,455)	-	£7.95 #	£8.33	06/08/2005-06/08/2012
1,389			1,389	£7.54½ #		26/02/2006-26/02/2013
4,198			4,198	£7.54½ ~		26/02/2006-26/02/2013
5,177			5,177	£8.79½ ~		01/09/2006-01/09/2013
5,098			5,098	£8.60 ~		02/03/2007-02/03/2014
6,046			6,046	£8.34 ~		28/07/2007-28/07/2014
	6,310		6,310	£8.71½ ~		07/04/2008-06/04/2015
	6,743		6,743	£8.81 ~		08/08/2008-07/08/2015

§ Options granted under the Alliance & Leicester Sharesave Scheme

Options granted under the Alliance & Leicester Approved Company Share Option Scheme

~ Options granted under the Alliance & Leicester Unapproved Company Share Option Scheme

The following table shows the options awarded to C S Jones under the deferred bonus scheme:

Bonus year		Value of award	Market value at date of grant	No. of shares under option	Exercise Price	Exercise Period
		£	£		£	
2003	Deferred shares	49,993	7.545	6,626	Nil	26/02/2006 -26/02/2010
2003	Matching shares	49,993	7.545	6,626	Nil	26/02/2006 -26/02/2010
2004	Deferred shares	54,997	8.600	6,395	Nil	02/03/2007 -02/03/2011
2004	Matching shares	54,997	8.600	6,395	Nil	02/03/2007 -02/03/2011
2005	Deferred shares	54,992	8.715	6,310	Nil	07/04/2008 -06/04/2012
2005	Matching shares	54,992	8.715	6,310	Nil	07/04/2008 -06/04/2012

Neither the matching or deferred shares options granted are subject to a performance objective.

SOVEREIGN HILLI LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2005

DISCLOSURE OF INDEMNITIES

The directors confirm that under S.309A of the Companies Act:-

a) at the time this Directors' Report is signed a qualifying third party indemnity provision (provided by the ultimate parent company Alliance & Leicester plc) is in force for the benefit of all the directors of the company and;

b) for the financial year ended 31 December 2005 a qualifying third party indemnity provision (provided by the ultimate parent company Alliance & Leicester plc) was in force for the benefit of all the directors of the company.

The directors confirm that under S310 of the Companies Act there is no qualifying third party indemnity provision for one or more directors of an associated company either on the date the Directors' Report is signed or in the last financial year.

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming annual general meeting.

Signed on behalf of the directors



C R Morley
Director

Approved by the directors on 14 December 2006.

SOVEREIGN HILLI LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2005

United Kingdom Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 10 to 11, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for establishing and maintaining systems of internal control, for the safeguarding of the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SOVEREIGN HILLI LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOVEREIGN HILLI LIMITED

We have audited the financial statements of Sovereign Hilli Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 15. 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 the Company's memorandum and articles of association under the terms of our engagement letter with Sovereign Hilli Limited dated 19 July 2006. 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework. 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.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Audit (United Kingdom 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 circumstances of the company, 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.

SOVEREIGN HILLI LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOVEREIGN HILLI LIMITED *(continued)*

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 2005 and of the profit for the year then ended.



Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
Manchester

19/12/06

SOVEREIGN HILL LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2005

	Note	2005 £	2004 £
Turnover	2	2,049,385	2,040,223
Administrative expenses		(59,560)	(61,803)
Operating profit		1,989,825	1,978,420
Interest payable and similar charges	5	(1,872,758)	(1,890,977)
Profit on ordinary activities before taxation		117,067	87,443
Tax on profit on ordinary activities	6	(35,120)	(26,233)
Profit for the financial year	13	81,947	61,210
Balance brought forward		96,337	35,127
Balance carried forward		<u>178,284</u>	<u>96,337</u>

All of the activities of the company are classed as continuing.

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £81,947 attributable to the shareholders for the year ended 31 December 2005 (year to 31 December 2004 - profit of £61,210).

The notes on pages 10 to 15 form part of these financial statements.

SOVEREIGN HILLI LIMITED

BALANCE SHEET

31 DECEMBER 2005

	Note	£	2005 £	£	2004 £
Current assets					
Debtors due within one year	7	2,041,722		1,944,319	
Debtors due after one year	7	43,096,104		42,890,535	
		<u>45,137,826</u>		<u>44,834,854</u>	
Creditors: Amounts falling due within one year	9	<u>(37,970,538)</u>		<u>(39,718,769)</u>	
Net current assets			7,167,288		5,116,085
Total assets less current liabilities			<u>7,167,288</u>		<u>5,116,085</u>
Provisions for liabilities and charges					
Deferred taxation	10		(6,977,004)		(5,007,748)
Net assets			<u>190,284</u>		<u>108,337</u>
Capital and reserves					
Called-up equity share capital	12		12,000		12,000
Profit and loss account	13		178,284		96,337
Equity shareholders' funds	14		<u>190,284</u>		<u>108,337</u>

These financial statements were approved by the directors on the 14 December 2006 and are signed on their behalf by:



C R Morley
Director



M W Evans
Director

The notes on pages 10 to 15 form part of these financial statements.

SOVEREIGN HILLI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom law and accounting standards.

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding year.

The company has complied with the Statement of Recommended Practice on Accounting Issues in the Asset Finance and Leasing Industry, issued by the Finance and Leasing Association.

Cash flow statement

Under Financial Reporting Standard No 1 (revised 1996) "Cash flow statements" the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Related party transactions

The company has taken advantage of the exemption offered by Financial Reporting Standard 8 "Related party disclosures" and is therefore not required to disclose transactions with other group companies.

Finance and rental agreements

In accordance with Statement of Standard Accounting Practice No. 21, "Accounting for leases and hire purchase contracts", the minimum lease payments receivable from finance lease and other finance agreements, less appropriate future income arising from finance charges, are included in debtors.

Assets acquired for the purpose of renting out under operating lease agreements are capitalised and depreciated in accordance with the accounting policy set out below.

Turnover comprises:

Finance lease agreements: the income component of repayments which are credited to the profit and loss account using methods which produce a constant rate of return on the net cash investment.

Operating lease agreements: accounting rentals recognised on a straight line basis over the period of the lease.

Provisions for bad and doubtful debts: a charge equal to the losses written off in the year, recoveries and the movement in provisions.

Cost of sales relates to:

Operating lease agreements: depreciation of operating lease assets.

SOVEREIGN HILLI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

1. Accounting policies *(continued)*

Depreciation

Depreciation is provided on operating lease assets at rates calculated to write off the cost of the assets, less estimated residual value, over their useful economic lives using methods which allocate depreciation charges on a systematic basis to the periods which are expected to benefit from their use.

Operating lease assets are regularly reviewed for impairment in accordance with Financial Reporting Standard No 11 "Impairment of fixed assets and goodwill". When an asset's carrying value has been impaired the amount is charged to the profit and loss account in the year of impairment.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rate and the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

Provisions for bad and doubtful debts

Specific provisions are made in respect of finance and rental agreements where recovery is considered doubtful; a general provision is made for losses which, although not specifically identified, are known to be inherent in any portfolio of lending. The provisions are deducted from the net investment in finance agreements. The charge in the profit and loss account comprises write offs, recoveries and the net movement in provisions in the year. The charge has been deducted from turnover.

SOVEREIGN HILLI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

2. Turnover

Amounts receivable during the year from which turnover and gross profit are derived is as follows:

	Year to 31 Dec 05 £	Year to 31 Dec 04 £
Amounts due on:		
Operating leases	-	-
Finance leases	1,742,048	1,513,912
	<u>1,742,048</u>	<u>1,513,912</u>

New business written in the year is as follows:

	Year to 31 Dec 05 £	Year to 31 Dec 04 £
Operating leases	-	-
Finance leases	-	-
	<u>-</u>	<u>-</u>

3. Particulars of employees

No salaries or wages have been paid to employees, including directors, during the year and the preceding year.

The company had no employees in either the current year or the preceding year.

The directors received no remuneration for their services to this company in either the current year or the preceding year. The directors are also employees of the immediate parent company, Alliance & Leicester Commercial Finance plc and the majority of their activities relate to services carried out in relation to Alliance & Leicester Commercial Finance plc and other group companies. Therefore the directors deem it inappropriate to directly allocate any of their costs to the profit and loss account of this company.

4. Auditors' remuneration

Auditors' remuneration was borne by the immediate parent company, Alliance & Leicester Commercial Finance plc, in both the current year and the preceding year.

5. Interest payable and similar charges

	2005 £	2004 £
Amounts payable to immediate parent undertakings	<u>1,872,758</u>	<u>1,890,977</u>

SOVEREIGN HILLI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

6. Taxation on ordinary activities

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (31 Dec 04 - 30%)	(1,934,136)	(2,612,358)
Total current tax credit	<u>(1,934,136)</u>	<u>(2,612,358)</u>
Deferred tax:		
Origination and reversal of timing differences	<u>1,969,256</u>	<u>2,638,591</u>
Total deferred tax charge (note 10)	<u>1,969,256</u>	<u>2,638,591</u>
Tax on profit on ordinary activities	<u>35,120</u>	<u>26,233</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>117,067</u>	<u>87,443</u>
Profit/(loss) on ordinary activities by rate of tax	35,120	26,233
Capital allowances in excess of taxable lease receipts	<u>(1,969,256)</u>	<u>(2,638,591)</u>
Total current tax (note 6(a))	<u>(1,934,136)</u>	<u>(2,612,358)</u>

7. Debtors

	2005 £	2004 £
Net investment in finance agreements (note 8)	45,137,600	44,834,628
Prepayments and accrued income	<u>226</u>	<u>226</u>
	<u>45,137,826</u>	<u>44,834,854</u>

SOVEREIGN HILLI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

7. Debtors *(continued)*

The debtors above include the following amounts falling due after more than one year:

	2005	2004
	£	£
Net investment in finance agreements	<u>43,096,104</u>	<u>42,890,535</u>

8. Finance agreements

	2005	2004
	£	£
Net investment in finance agreements	<u>45,137,600</u>	<u>44,834,628</u>

9. Creditors: Amounts falling due within one year

	2005	2004
	£	£
Amounts owed to group undertakings	<u>37,970,538</u>	<u>39,718,769</u>

10. Deferred taxation

The movement in the deferred taxation provision during the year was:

	2005	2004
	£	£
Provision brought forward	5,007,748	2,369,157
Profit and loss account movement arising during the year (note 6)	<u>1,969,256</u>	<u>2,638,591</u>
Provision carried forward	<u>6,977,004</u>	<u>5,007,748</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2005	2004
	£	£
Excess of taxation allowances over depreciation	6,980,808	5,011,552
Tax losses available	<u>(3,804)</u>	<u>(3,804)</u>
	<u>6,977,004</u>	<u>5,007,748</u>

11. Related party transactions

The company has taken advantage of the exemption offered by Financial Reporting Standard 8 "Related party disclosures" and is therefore not required to disclose transactions with other group companies.

SOVEREIGN HILLI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

12. Share capital

Authorised share capital:

	2005	2004
	£	£
12,000 Ordinary shares of BM \$1 each	<u>12,000</u>	<u>12,000</u>

Allotted, called up and fully paid:

	No	2005	No	2004
		£		£
Ordinary shares of BM \$1 each	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

13. Profit and loss account

	2005	2004
	£	£
Balance brought forward	96,337	35,127
Profit for the financial year	<u>81,947</u>	<u>61,210</u>
Balance carried forward	<u>178,284</u>	<u>96,337</u>

14. Reconciliation of movements in equity shareholders' funds

	2005	2004
	£	£
Profit for the financial year	81,947	61,210
Opening equity shareholders' funds	<u>108,337</u>	<u>47,127</u>
Closing equity shareholders' funds	<u>190,284</u>	<u>108,337</u>

15. Ultimate parent company

The immediate parent company, Alliance & Leicester Commercial Finance plc, is a subsidiary of Alliance & Leicester plc which is the controlling party and ultimate parent undertaking incorporated in England and Wales.

The largest and smallest Group in which the results of the company are consolidated is that headed by Alliance & Leicester plc. The consolidated accounts of this Group are available to the public and may be obtained from Carlton Park, Narborough, Leicester, LE19 0AL.