HORIZON CAPITAL LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2005

SCT SQC4MEKI 0764
COMPANIES HOUSE 14/04/06

Company Number SC145063

Directors

J Barkley
H C McMillan

Secretary

A I Macrae

Registered Office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

Auditors

KPMG Audit Plc
Saltire Court
20 Castle Terrace
EDINBURGH
EH1 2EG

Bankers

Bank of Scotland
Head Office
The Mound
EDINBURGH
EH1 1YZ

REPORT OF THE DIRECTORS

Directors

J Barkley
H C McMillan

The Directors submit their report and audited accounts of the Company for the year ended 31 December 2005.

Activity and review of business

The Company operates as an investment holding company and there has been no change in that activity during the year.

Results and Dividends

The profit for the year after tax for the Company to 31 December 2005 was £271,063 (2004: £554,254). The Directors do not recommend payment of a final dividend (2004: £250,000). Dividends of £7,232,000 were paid in the year (2004: £228,000).

Directors and their interests

The Directors at the date of this report are as stated above.

Dates of appointment and resignation were as follows:

Director	Date of Appointment	Date of Resignation
P J Cummings	-	31 October 2005

The other Directors all served throughout the year.

REPORT OF THE DIRECTORS (CONTINUED)

Directors and their interests (continued)

Directors' beneficial interests in the ordinary shares of HBOS plc during the year were as follows:

(References to "HBOS plc shares" are to ordinary shares of 25p each in HBOS plc)

During the year no Director had any beneficial interest in the share capital of the Company or of any other Group undertaking other than in HBOS plc, the ultimate holding company.

The beneficial interests of the Directors and their immediate families in HBOS plc shares are set out below:

	At 31.12.04 or date of appointment if later HBOS plc shares	At 31.12.05 HBOS plc shares
J Barkley	53,304	58,865
H C McMillan	78,781	110,321

Short-term Incentive Plan – HBOS scheme and former Halifax scheme

Certain Directors have conditional entitlements to shares arising from the annual incentive plan. Where the annual incentive for any year was taken in shares and these shares are retained in trust for three years, the following shares will also be transferred to the Directors.

	Grant effective from	Shares as at 31.12.05
J Barkley	March 2003	1,627
	March 2004	1,446
	March 2005	1,620
H C McMillan	March 2003	2,662
	March 2004	2,605
	March 2005	4,145

REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)

Long-term Incentive Plan – HBOS scheme and former Halifax scheme

Details of the shares which have been conditionally awarded to Directors under the plans are set out below. The conditions relating to the long-term incentive plan may be found in the HBOS plc Annual Report & Accounts 2005.

	Grant effective from	At 31.12.04 or date of appointment if later	Granted (G) or lapsed (L) in year	Added as a result of performance	Dividend reinvestment shares	Released in year	At 31.12.05
H C McMillan	January 2002	9,894	-	9,894	2,982	(22,770)	-
	March 2003	15,625	-	-	-	-	15,625
	March 2005	21,385	-	-	-	-	21,385
	March 2005	-	18,253 (G)	-	-	-	18,253

Shares granted under these plans can crystallise at any level between 0% and 200% of the conditional award noted in the above table, dependant upon performance. The performance period for the January 2002 grant ended on 31 December 2004 and, in the light of the performance outcome, grants were released at 200% of the conditional award. On maturity, dividend reinvestment shares equivalent to approximately 30% of the original conditional grant were also released to participants in accordance with the rules of the plan.

Long-term Incentive Plan
HBOS Scheme, former Bank of Scotland scheme and former Halifax Scheme

Share options granted between 1995 and 2000 under the Bank of Scotland Executive Stock Option Scheme 1995 are subject to performance pre-conditions which have now been satisfied. Share options granted under other plans are not subject to a performance precondition. Details of the options outstanding under these plans are set out below.

	Options outstanding At 31.12.04 or date of appointment	Granted (G), lapsed (L) or exercised (E) in year	At 31.12.05
J Barkley	63,460	-	63,460
H C McMillan	64,261	12,000 (E)	52,261

REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)

Sharesave Plan

Share options granted under these plans are set out below.

	At 31.12.04	Granted (G) lapsed (L) or exercised (E) in year	At 31.12.05
J Barkley	3,790	611 (G)	
		1,987 (E)	2,414
H C McMillan	2,555	-	2,555

Options under these plans were granted using middle market prices shortly before the dates of the grants, discounted by 20%.

Company Secretary

A I Macrae.

Auditors

In accordance with s.386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, KPMG Audit Plc will continue in office as auditors.

By Order of the Board,

A I Macrae
Secretary.

16 February 2006

Registered Office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

Income statement
For the year ended 31 December 2005

	Notes	2005 £	2004 £
Administrative expenses	3	(231,766)	(200,309)
Other income	2	8,377	162,635
Other expenses	4	(1,000)	(2,500)
Net other income		7,377	160,135
Operating profit before financing costs		(224,389)	(40,174)
Financial income	5	1,625,890	1,185,786
Financial expenses	5	(1,008,279)	(344,935)
Net financing costs		617,611	840,851
Profit before tax		393,222	800,677
Income tax expense	6	(122,159)	(246,423)
Profit after tax for the year		271,063	554,254
Attributable to:			
Equity holders		271,063	554,254
Profit for the year		271,063	554,254

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2005

	Notes	2005 £	2004 £
Profit for the year		271,063	554,254
Total recognised income and expense for the year	12	271,063	554,254
Attributable to:			
Equity holders		271,063	554,254
Profit for the year		271,063	554,254

BALANCE SHEET

As at 31 December 2005

	Notes	2005	2004
		£	£
Assets			
Investments in jointly controlled entities	9	500,002	500,002
Total non-current assets		500,002	500,002
Trade and other receivables	10	30,245,531	20,007,145
Total current assets		30,245,531	20,007,145
Total assets		30,745,533	20,507,147
Equity			
Issued capital		100	100
Retained earnings		185,895	7,146,832
Total equity	12	185,995	7,146,932
Liabilities			
Amount due to parent undertaking		71,382	173,318
Bank overdraft	11	30,245,164	13,109,066
Trade and other payables	13	120,764	4,993
Income tax payable	7	122,228	72,838
Total current liabilities		30,559,538	13,360,215
Total liabilities		30,559,538	13,360,215
Total equity and liabilities		30,745,533	20,507,147

Approved by the board by written resolution and signed on its behalf by:

.... Director 16 February 2006

STATEMENT OF CASH FLOWS

For the year ended 31 December 2005

	Note	2005 £	2004 £
Cash flows from operating activities			
Operating profit		(224,389)	(40,174)
Adjustments for:			
Increase in trade and other receivables		(10,238,386)	(857,503)
Increase in trade and other payables		115,771	2,493
Decrease in amounts due to parent undertaking		(101,936)	(143,693)
Provisions utilised		-	(160,000)
Cash generated from operations		(10,448,940)	(1,198,877)
Interest paid		(1,008,279)	(344,935)
Income taxes paid		(72,769)	(142,708)
Interest received		1,625,890	1,185,786
Net cash from operating activities		(9,904,098)	(500,734)
Cash flows from financing activities			
Dividends paid		(7,232,000)	(228,000)
Net cash from financing activities		(7,232,000)	(228,000)
Net decrease in cash and cash equivalents		(17,136,098)	(728,734)
Cash and cash equivalents at 1 January		(13,109,066)	(12,380,332)
			-
Cash and cash equivalents at 31 December	11	(30,245,164)	(13,109,066)

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

Horizon Capital Limited (the "Company") is a company domiciled in the UK.

The financial statements were authorised for issue by the directors on 16 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, IAS 39 and IFRS 4 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. Where the implementation of these standards resulted in a change in accounting policy from 1 January 2005, the policy applied in respect of the 2004 comparative information has been set out at the end of this section (under the heading "2004 accounting policies") – the related 2005 policy has been annotated with an asterisk in the heading to indicate the change in policy. Where there is no asterisk, the policy has been applied consistently to both periods presented in the accounts.

These are the Company's first financial statements in which IFRS 1 has been applied.

(b) Basis of preparation

The financial statements are presented in Sterling. They are prepared on the historical cost basis.

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 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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transitition to IFRS.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(c) Investments

Investments in jointly controlled entities

Jointly controlled entities are entities over which the Company has joint control under a contractual arrangement with other parties.

The attributable share of results of jointly controlled entities, generally based on audited accounts, are included in the consolidated financial statements of the Company's ultimate parent undertaking, HBOS plc, using the equity method of accounting. Accordingly, the Company records such investments at historic cost.

(d) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(e) Cash and cash equivalents

Cash and cash equivalents comprises 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.

(f) Share capital

Dividends are recognised as a liability in the period in which they are declared.

(g) Trade and other payables

Trade and other payables are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(h) Expenses

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method.

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

(i) 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 recognised, without discounting, in respect of all temporary timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, based on the corporation tax rate expected when the timing differences reverse.

Deferred tax assets and liabilities are recognised separately in the balance sheet. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Other income

	2005	2004
	£	£
Release of unused provisions	-	160,000
Others	8,377	2,635
	8,377	162,635

3. Administrative expenses

	2005	2004
	£	£
Other administrative expenses	231,766	200,309
	231,766	200,309

4. Other expenses

	2005	2004
	£	£
Audit fees	1,000	2,500
	1,000	2,500

5. Net financing costs

	2005	2004
	£	£
Interest income	1,625,890	1,185,786
Financial income	1,625,890	1,185,786
Interest expense	(1,008,279)	(344,935)
Financial expenses	(1,008,279)	(344,935)
Net financing costs	617,611	840,851

6. Income tax expense

	2005	2004
	£	£
Current tax expense		
Current year	122,229	198,423
Adjustments for prior years	(70)	-
	122,159	198,423
Deferred tax expense		
Origination and reversal of temporary differences	-	48,000
Total income tax expense in income statement	122,159	246,423

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Reconciliation of effective tax rate

	2005	2004
	£	£
Profit before tax	393,222	800,677
Income tax using corporation tax rate of 30% (2004:30%)	117,967	240,203
Expenses not deductible for income tax purposes	4,262	6,220
Over provided in prior years	(70)	-
Total income tax expense in income statement	122,159	246,423

7. Current tax assets and liabilities

	2005	2004
	£	£
Income tax liability	122,228	72,838

The current tax liability represents the amount of income taxes payable in respect of current and prior periods that exceed payments.

8. Deferred Tax Note

The movement for the year in the Groups net deferred tax position was as follows:

	2005	2004
	£	£
At 1 January	-	(48,000)
Charge to income for the year	-	48,000
Balance carried forward as at 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Investment in jointly controlled entities

	£
At cost 1 January 2005 and 31 December 2005	500,002

The Company's investment in jointly controlled entities relates to the following:

Name of entity	Principal business	Issued share and loan capital	Proportion of ownership	Reporting date of financial statements	Principal area of operation
Silverbank Development Company Limited	Investment holding and property investment	500,050 "A" ordinary shares of £1 each 500,050 "B" ordinary shares of £1 each	100% of "A" ordinary shares	31 December	Scotland

10. Trade and other receivables

	2005	2004
	£	£
Other trade receivables and prepayments	100	100
Amounts due from associated undertakings	30,245,431	20,007,145
	30,245,531	20,007,245

11. Cash and cash equivalents

	2005	2004
	£	£
Bank overdrafts	(30,245,164)	(13,109,066)
Cash and cash equivalents in the statement of cash flows	(30,245,164)	(13,109,066)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Capital and reserves

Reconciliation of movement in capital and reserves
Attributable to equity holders of the parent

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 January 2004	100	6,820,578	6,820,678
Total recognised income and expense	-	554,254	554,254
Dividends to shareholders	-	(228,000)	(228,000)
Balance at 31 December 2004	100	7,146,832	7,146,932
Balance at 1 January 2005	100	7,146,832	7,146,932
Total recognised income and expense	-	271,063	271,063
Dividends to shareholders	-	(7,232,000)	(7,232,000)
Balance at 31 December 2005	100	185,895	185,995

Share capital and share premium

	Ordinary shares	
	2005	2004
On issue at 1 January	100	100
Issued for cash	-	-
On issue at 31 December – fully paid	100	100

At 31 December 2005, the authorised share capital comprised 1,000 ordinary shares (2004: 1,000)

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. All shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Capital and reserves (continued)

Dividends

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income taxes consequences.

	2005	2004
	£	£
£nil per qualifying ordinary share (2004: £69,500)	-	6,950,000
	-	6,950,000

13. Trade and other payables

	2005	2004
	£	£
Non-trade payables and accrued expenses	120,764	4,993
	120,764	4,993

14. Financial instruments

Exposure to credit and interest rate risks arises in the normal course of the Company's business. Credit risk and interest rate risk is managed by the Company's ultimate parent company, HBOS plc. Details of the policies in place can be found in the HBOS plc Annual Report and Accounts.

Interest rate risk
Effective interest rates and maturity analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

				2005				
	Notes	Effective Interest Rate	Total £	6 months or less £	6-12 months £	1-2 years £	2-5 years £	More than 5 years £
Bank overdrafts	11	4.5%	(30,245,164)	(30,245,164)	-	-	-	-
			(30,245,164)	(30,245,164)	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Financial instruments (continued)

Fair values
The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Notes	Carrying amount 2005 £	Fair value 2005 £
Interest in jointly controlled entities	9	500,002	1,137,417
Trade and other receivables	10	30,245,531	30,245,531
Trade and other payables	13	(120,764)	(120,764)
Bank overdraft	11	(30,245,164)	(30,245,164)
Amount due to parent undertaking		(71,382)	(71,382)
		308,223	945,638

Estimation of fair values
The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Trades and other receivables/payables
For receivable/payable with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Related party transactions

The Company has given loan facilities of £1,044,857 (2004: £991,327) to an associated undertaking, Silverbank Development Company Limited at a margin over Bank Base Rate. The maximum exposure during the year was £2,905,084.

The Company has also given loan facilities of £4,973,601 (2004: £4,774,573) to an associated undertaking, Hamilton Business Park Limited at a margin over Bank Base Rate. The maximum exposure during the year was £4,999,093.

The Company has also given loan facilities of £16,910,238 (2004: £7,818,130) and £7,316,735 (2004: £6,423,015) to associated undertakings, Dunlop Street Properties Limited and Glasgow Business Park Limited respectively, at a margin over Bank Base Rate. The maximum exposure to Dunlop Street Properties Limited and Glasgow Business Park Limited during the year was £17,820,408 and £7,316,735 respectively.

The Company's parent undertaking is The Governor and Company of the Bank of Scotland, incorporated by Act of the Scottish Parliament in 1695. The Company's ultimate parent undertaking is HBOS plc. Copies of HBOS plc Annual Report and Accounts may be obtained from its Head Office at The Mound, Edinburgh EH1 1YZ.

The company has a related party relationship with its parent company The Governor and Company of the Bank of Scotland. A number of banking transactions are entered into with The Governor and Company of the Bank of Scotland in the normal course of business including deposits. The balance due to and from The Governor and Company of the Bank of Scotland are shown within the notes to the accounts. Details of the related party transactions during the year are disclosed in the table below.

Nature of transaction	**Outstanding balance at 1 January 2005**	**Maximum outstanding balance during the year**	**Outstanding balance at 31 December 2005**	**Income/expense included in profit and loss account for the year ended 31 December 2005**	**2004 Comparative**	**Disclosure in financial statements**
Bank account	13,109,066	32,545,164	30,245,164			Cash and cash equivalents
Interest payable				1,008,279	344,935	Financial expense

16. Contingent Liabilities

As at 31 December 2005 the company had underwritten £3,840,380 (2004: £4,601,815) of lending provided by its parent undertaking. To the extent not provided for, the Directors do not expect any liability to arise under these commitments.

17. Explanation of transition to IFRSs

As stated in note 1(a), these are the Company's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies applied in preparing the financial statements are set out in Note 1.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the table.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Reconciliation of equity

	Previous GAAP £	Effect of transition to IFRSs £	IFRSs £	Previous GAAP £	Effect of transition to IFRSs £	IFRS £	Previous GAAP £	Effect of transition to IFRSs £	IFRS £
		1 January 2004			31 December 2004			1 January 2005	
Assets									
Investments	500,002	-	500,002	500,002	-	500,002	500,002	-	500,002
					-	-	-	-	-
Total non-current assets	500,002		500,002	500,002	-	500,002	500,002	-	500,002
Income tax receivables	48,000	-	48,000	-	-	-	-	-	-
Trade and other receivables	19,149,642	-	19,149,642	20,007,145	-	20,007,145	20,007,145	-	20,007,145
Total current assets	19,197,642	-	19,197,642	20,007,145	-	20,007,145	20,007,145	-	20,007,145
Total assets	19,697,644	-	19,697,644	20,507,147	-	20,507,147	20,507,147	-	20,507,147
Equity									
Issued capital	100	-	100	100	-	100	100	-	100
Retained earnings	6,592,578	228,000	6,820,578	196,832	6,950,000	7,146,832	7,146,832	-	7,146,832
Total equity attributable to equity holders of the parent	6,592,678	228,000	6,820,678	196,932	6,950,000	7,146,932	7,146,932	-	7,146,932

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Previous GAAP £	Effect of transition to IFRSs £	IFRSs £	Previous GAAP £	Effect of transition to IFRSs £	IFRS £	Previous GAAP £	Effect of transition to IFRSs £	IFRS £
		1 January 2004			31 December 2004			1 January 2005	
Liabilities									
Provisions	160,000	-	160,000	-	-	-	-	-	-
Amounts due to parent undertaking	545,011	(228,000)	317,011	7,123,318	(6,950,000)	173,318	173,318	-	173,318
Bank overdraft	12,380,332	-	12,380,332	13,109,066	-	13,109,066	13,109,066	-	13,109,066
Trade and other payables	2,500	-	2,500	4,993	-	4,993	4,993	-	4,993
Income tax payable	17,123	-	17,123	72,838	-	72,838	72,838	-	72,838
Total liabilities	13,104,966	(228,000)	12,876,966	20,310,215	(6,950,000)	13,360,215	13,360,215	-	13,360,215
Total equity and liabilities	19,697,644	-	19,697,644	20,507,147	-	20,507,147	20,507,147	-	20,507,147

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The effect of the above adjustments on retained earnings is as follow:

	1 January 2004	31 December 2004
	£	£
Investments	-	-
Dividend payable to shareholders	228,000	6,722,000
Total adjustment to equity	228,000	6,722,000
Attributable to:		
Equity holders of the parent	228,000	6,722,000
	228,000	6,722,000

	Previous GAAP	Effect of transition to IFRSs	IFRSs
	£	£	£
Administrative expenses	(202,809)	2,500	(200,309)
Other income	162,635	-	162,635
Other expenses	-	(2,500)	(2,500)
Net other income	162,635	-	160,135
Operating profit before financing costs	(40,174)	-	(40,174)
Financial income	1,185,786	-	1,185,786
Financial expenses	(344,935)	-	(344,935)
Net financing costs	840,851	-	840,851
Profit before tax	800,677	-	800,677
Income tax expense	(246,423)	-	(246,423)
Profit for the period	554,254	-	554,254
Attributable to:	554,254	-	554,254
Equity holders of the parent	554,254	-	554,254

Explanation of material adjustments to the cash flow statement for 2004

Bank overdrafts of £13,109,066 that are repayable on demand and form an integral part of the Company's cash management were classified as financing cash flows under previous GAAP and are reclassified as cash and cash equivalents under IFRSs. There are no other material differences between the cash flow statement presented under IFRSs and the cash flow statement.

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

The directors are responsible for preparing the Horizon Capital Limited report and 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HORIZON CAPITAL LIMITED

We have audited the financial statements of Horizon Capital Limited for the year ended 31 December 2005 which comprise the Income Statement, Statement of Recognised Income and Expense, Balance Sheet, 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 Annual Report and 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 23.

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.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 2005 and of the its profit for the year then ended; 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

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16 *February 2006*