

**HBOS QUEST LIMITED**  
**Directors' Report and Financial Statements**  
**31 December 2006**

Company Number 209776



## **REPORT OF THE DIRECTORS**

The Directors submit their report and audited accounts of HBOS Quest Ltd (the Company) for the year ended 31 December 2006

### **Results and review of operations**

The Company was dormant throughout the year and for the prior year, accordingly no Income Statement has been prepared

### **Directors**

The Directors who served during the year were

J G Miller  
R K Moorhouse (resigned 31/08/06)  
A D C Turnbull  
S Mayer (appointed 31/08/06)

**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

	<b><u>At 31.12.05</u></b>	<b><u>At 31.12.06</u></b>
	<b><u>HBOS plc shares</u></b>	<b><u>HBOS plc shares</u></b>
J G Miller	36,889	36,889
A D C Turnbull	2,782	2,782
S Mayer		1,690

### **Short term Incentive Plan – HBOS Scheme and former Halifax plans**

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

	<b><u>Grant</u></b>	<b><u>Shares as at</u></b>
	<b><u>effective from</u></b>	<b><u>31.12.06</u></b>
J G Miller	29 March 2004	205

**HBOS plc Inland Revenue Approved Share Option Plan**

Options to subscribe for ordinary shares of HBOS plc, held under HBOS Inland Revenue Approved Share Option Plans as at 31 December 2006 were as follows

	<b><u>Options</u></b> <b><u>Outstanding</u></b> <b><u>At 31.12.05</u></b>	<b><u>Granted (G),</u></b> <b><u>lapsed (L) or</u></b> <b><u>Exercised (E)</u></b> <b><u>in year</u></b>	<b><u>Options</u></b> <b><u>Outstanding</u></b> <b><u>At 31.12.06</u></b>
J G Miller	3,038		3,038

**Sharesave Plan**

Share options granted under these plans are set out below

	<b><u>At</u></b> <b><u>31.12.05</u></b>	<b><u>Grant (G)</u></b> <b><u>lapsed (L) or</u></b> <b><u>exercised (E)</u></b> <b><u>in year</u></b>	<b><u>At</u></b> <b><u>31.12.06</u></b>
J G Miller	5,492		5,492
S Mayer		381(G)	381

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

**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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

**Going Concern**

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

By Order of the Board  
Kenny Melville  
Secretary



23<sup>rd</sup> October 2007

Registered Office  
The Mound  
Edinburgh  
EH1 1YZ

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 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 representation.

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.

Under applicable law and regulations, the Directors are also responsible for preparing a Director's Report.

## **Independent Auditor's Report to the Members of HBOS QUEST Limited**

We have audited the financial statements of HBOS QUEST Limited for the year ended 31 December 2006, which comprise the Balance Sheet and 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 HBOS QUEST Limited Directors' 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 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. We also report to you whether in our opinion the information 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 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 IFRS's as adopted by the EU, of the state of the company's affairs as at 31 December 2006 and of its result 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

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*  
*Edinburgh*

5 December 2007

**Balance Sheet**

**As at 31 December 2006**

	Note	2006 £	2005 £
Current Assets			
Amounts due from ultimate parent undertaking		<u>1</u>	<u>1</u>
Total Assets		<u>1</u>	<u>1</u>
Share Capital	3	<u>1</u>	<u>1</u>
Shareholders' Equity		<u>1</u>	<u>1</u>

Approved by the Board on 22 October 2007 and signed on its behalf by



Director

The notes on page 8 form part of these accounts

**Notes to the Accounts****1 Accounting Policies****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 2006

**Basis of preparation**

The accounts have been prepared under the historical cost basis

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 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 / Statement of Recognised Income and Expense**

In the year ended 31 December 2006 there was no income receivable (2005 £NIL) nor were any costs, including Directors' remuneration, incurred (2005 £NIL). The Company has no employees and the costs of services and auditors' remuneration are borne by the ultimate parent undertaking. No Income Statement or Statement of Recognised Income and Expense has therefore been prepared.

<b>3 <u>Share Capital</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b><u>Authorised</u></b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b><u>Allotted, called up and fully paid</u></b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

**4 Ultimate parent undertaking**

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.