

AEGON INVESTMENT MANAGEMENT UK LTD

REGISTRATION NUMBER 212159

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005



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AEGON INVESTMENT MANAGEMENT UK LTD

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|-------------------|--|------------|
| Directors | Andrew N R Fleming, BA Jonathan M Bennett, BA Colin I Black, BSc, FFA Christophe C Ferrand, DESCF, MaBa Philip J G Smith, MA, CA | (Chairman) |
| Secretary | Ian G Young, MA, LLB | |
| Company Number | 212159 | |
| Registered Office | AEGON House Edinburgh Park Edinburgh EH12 9SA | |
| Auditors | Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ | |

AEGON INVESTMENT MANAGEMENT UK LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

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

Principal Activity

AEGON Investment Management UK Ltd provides intra-group asset management services.

Structure of these Accounts

The financial statements have been prepared in accordance with Schedule 4 of the Companies Act 1985 and in accordance with applicable accounting standards.

Results and Dividends

The results for the year are set out on page 6. The Directors recommended and ratified an interim dividend of £2,000,000 which was paid during the year.

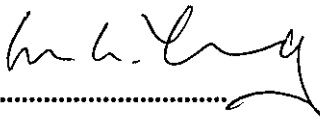
Directors and their Interests

The Directors who held office at the date of this report are shown on page 1. The Directors have declared that they had no interest in the share capital of the company at the beginning or at the end of the year. Colin McLatchie resigned as Director on 7 November 2005 and Andrew Fleming was appointed as Director on 1 April 2005. All other Directors served throughout the year.

Elective resolutions

An elective resolution was passed on 10 August 2001 to (a) dispense with the requirement to lay the Report and Accounts before the Company in a general meeting, (b) to dispense with the holding of an Annual General Meeting for 2001 and subsequent years, and (c) the obligation to appoint auditors annually.

This report was approved by the Board on 23/3/06 and signed on its behalf by



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Ian G Young, MA, LLB
Secretary

AEGON INVESTMENT MANAGEMENT UK LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AEGON INVESTMENT MANAGEMENT UK LTD

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AEGON INVESTMENT MANAGEMENT UK LTD
FOR THE YEAR ENDED 31 DECEMBER 2005**

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 12. These financial statements have been prepared on the basis of 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 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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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 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. This other information comprises only the Directors' Report. 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 group's and 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.

AEGON INVESTMENT MANAGEMENT UK LTD

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AEGON INVESTMENT MANAGEMENT UK LTD
FOR THE YEAR ENDED 31 DECEMBER 2005**

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 affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

Edinburgh

14 March
..... 2006

AEGON INVESTMENT MANAGEMENT UK LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

| | | <u>2005</u> | <u>2004</u> <u>as restated</u> |
|--|--------------|----------------|-----------------------------------|
| | <u>Notes</u> | <u>£000's</u> | <u>£000's</u> |
| Turnover | | 30,096 | 29,907 |
| Cost of sales | | (1,611) | (3,312) |
| Gross profit | | 28,485 | 26,595 |
| Administrative expenses | 2 | (23,301) | (18,965) |
| Operating profit | | 5,184 | 7,630 |
| Interest receivable and similar income | 3 | 181 | 257 |
| Interest payable and similar charges | 4 | (1) | (65) |
| Profit on ordinary activities before taxation | | 5,364 | 7,822 |
| Tax on profit on ordinary activities | 5 | (1,609) | (2,347) |
| Profit on ordinary activities after taxation | | 3,755 | 5,475 |
| Dividends | 6 | (7,400) | (1,750) |
| Retained (loss) / profit for the year | | <u>(3,645)</u> | <u>3,725</u> |

There are no other recognised gains or losses.

The results for the year relate wholly to continuing activities.

The financial statements for the year ended 31 December 2004 have been restated to reflect changes to accounting practices as set out in the accompanying notes. The cumulative effect of these changes has been to increase the profit and loss reserve by £5,400,000.

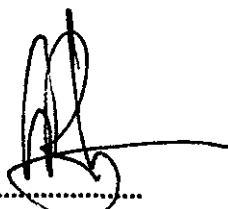
The notes on pages 8 to 11 form an integral part of these financial statements.

AEGON INVESTMENT MANAGEMENT UK LTD

BALANCE SHEET AS AT 31 DECEMBER 2005

| | | <u>2005</u> | <u>2004</u> |
|---|--------------|---------------|-------------------------------------|
| | <u>Notes</u> | <u>£000's</u> | <u>as restated</u> <u>£000's</u> |
| Current Assets | | | |
| Debtors | 7 | 8,022 | 3,358 |
| Cash at bank and in hand | | 359 | 9,273 |
| | | <u>8,381</u> | <u>12,631</u> |
| Creditors: amounts falling due within one year | 8 | (6,531) | (7,136) |
| Total assets less current liabilities | | <u>1,850</u> | <u>5,495</u> |
| Capital and Reserves | | | |
| Called up share capital | 9 | - | - |
| Profit and loss account | | 1,850 | 5,495 |
| Equity Shareholders' Funds | 10 | <u>1,850</u> | <u>5,495</u> |

The financial statements were approved by the Board on 23/3/06 and signed on its behalf by



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Andrew N R Fleming, BA
Chairman

The notes on pages 8 to 11 form an integral part of these financial statements.

AEGON INVESTMENT MANAGEMENT UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2. Change in accounting policies

Under Financial Reporting Standard 21 - 'Events after the Balance Sheet Date' - final dividends should only be recorded as a liability in the period in which they are approved, not in the period in which they are proposed. No provision has therefore been made for the final dividend on Ordinary shares for the year ended 31 December 2004. The financial statements for the year ended 31 December 2004 have been restated to remove the final dividends that were accrued at that date.

1.3. Interest receivable

Credit is taken in the profit and loss account for interest on an accruals basis.

1.4. Cash flow statement

No cash flow statement has been prepared under Financial Reporting Standard 1 (revised 1996) since the results of the company are consolidated in the financial statements of AEGON NV, the ultimate parent undertaking, which are publicly available.

1.5. Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax is measured on a non-discounted 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 or substantively enacted at the balance sheet date.

2. Administrative expenses

Net administrative expenses include a fee of £22,985,000 (2004 - £18,965,000) which was invoiced from AEGON UK Corporate Services Limited (2004 - from Scottish Equitable plc) for the provision of management services. AEGON UK Corporate Services Limited (2004 - Scottish Equitable plc) paid audit fees of £4,000 (2004 - £4,000) on behalf of the company.

AEGON UK Corporate Services Limited, a subsidiary of AEGON UK plc, employs all staff whose costs are included in the above administrative fee.

No directors' remuneration is paid by the company.

AEGON INVESTMENT MANAGEMENT UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

3. Interest receivable and similar income

| | <u>2005</u> <u>£000's</u> | <u>2004</u> <u>£000's</u> |
|------------------|------------------------------|------------------------------|
| Deposit interest | 181 | 257 |

4. Interest payable and similar charges

| | <u>2005</u> <u>£000's</u> | <u>2004</u> <u>£000's</u> |
|-----------------|------------------------------|------------------------------|
| Amounts payable | 1 | 65 |

5. Taxation

(a) Analysis of tax charge for the year

UK Current Tax

| | <u>2005</u> <u>£000's</u> | <u>2004</u> <u>£000's</u> |
|---|------------------------------|------------------------------|
| UK corporation tax charge on profits for the year | 1,609 | 2,347 |

(b) Factors affecting tax charge for the year:

| | <u>2005</u> <u>£000's</u> | <u>2004</u> <u>£000's</u> |
|--|------------------------------|------------------------------|
| Profit on ordinary activities before tax | 5,364 | 7,822 |
| Tax on profit on ordinary activities before tax at 30% (2004 - 30%) | 1,609 | 2,347 |

6. Dividends

| | <u>2005</u> <u>£000's</u> | <u>2004</u> <u>as restated</u> <u>£000's</u> |
|----------------|------------------------------|--|
| Dividends paid | 7,400 | 1,750 |

AEGON INVESTMENT MANAGEMENT UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

7. Debtors

| | <u>2005</u> <u>£000's</u> | <u>2004</u> <u>£000's</u> |
|------------------------------------|------------------------------|------------------------------|
| Amounts owed by group undertakings | 8,022 | 3,358 |

8. Creditors: amounts falling due within one year

| | <u>2005</u> <u>£000's</u> | <u>2004</u> <u>as restated</u> <u>£000's</u> |
|------------------------------------|------------------------------|--|
| Trade creditors | 12 | - |
| Amounts owed to group undertakings | 5,459 | 4,403 |
| Group relief payable | 692 | 2,733 |
| Other creditors | 368 | - |
| | <u>6,531</u> | <u>7,136</u> |

9. Share capital

| | <u>2005</u> <u>£</u> | <u>2004</u> <u>£</u> |
|---|-------------------------|-------------------------|
| Authorised | | |
| 100 Ordinary shares of £1 each | 100 | 100 |
| Allotted, called up and fully paid | | |
| 2 Ordinary shares of £1 each | 2 | 2 |

10. Reconciliation of movements in shareholders' funds

| | <u>2005</u> <u>£000's</u> | <u>2004</u> <u>as restated</u> <u>£000's</u> |
|--|------------------------------|--|
| Profit for the year | 3,755 | 5,475 |
| Dividends | (7,400) | (1,750) |
| Net (decrease) / increase in shareholders' funds | (3,645) | 3,725 |
| Opening shareholders' funds | 5,495 | 1,770 |
| Closing shareholders' funds | <u>1,850</u> | <u>5,495</u> |

AEGON INVESTMENT MANAGEMENT UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

11. Related party transactions

In accordance with the exemption granted under Financial Reporting Standard 8, Related Party Disclosures, the company does not disclose transactions with other group companies and investees of the group qualifying as related parties.

12. Ultimate parent undertaking

The ultimate parent company is AEGON NV, which is incorporated in the Netherlands. The group accounts of AEGON NV are available from the Company Secretary, AEGON UK plc, Scottish Equitable House, Edinburgh Park, Edinburgh, Scotland, United Kingdom, EH12 9SA.