

AEGON INVESTMENT MANAGEMENT UK LTD

REGISTRATION NUMBER 212159

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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AEGON INVESTMENT MANAGEMENT UK LTD

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 2006

The Directors present their report and the audited financial statements for the year ended 31 December 2006

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

Creditor payment policy

The objective is to treat our suppliers fairly and in accordance with good commercial practice Suppliers' invoices are settled in accordance with agreed contractual terms or, if no terms are scheduled, generally within 30 days of the appropriate invoice date

Results and Dividends

The company delivered profits after tax but before dividends of £5,244k (2005 £3,755k). The Directors recommended and ratified an interim dividend of £6,750,000 which was paid during the year The board of Directors consider the results to be satisfactory

Net assets at the end of the year were £344k (2005. £1,850k) This was in line with Directors expectations

The directors recommend that no final dividend is paid and that the balance on the Profit and Loss Account for the year is carried forward to reserves

Business Review

The business review for the year to 31 December 2006 can be found in the parent company accounts of AEGON Asset Management UK PLC.

Directors and their Interests

The Directors who held office at the date of this report are shown on page 1. All Directors served throughout the year

Each of the Directors has been granted a qualifying third party indemnity by the Company, in terms of Sections 309A and B of the Companies Act 1985 and these indemnities remain in force

Statement of disclosure of information to auditors

The directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware, and each director has taken all steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information


AEGON INVESTMENT MANAGEMENT UK LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**

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 of Directors and authorised for issue on 16/3/2007
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 2006**

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 11. 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 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' responsibilities 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) are 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 whether in our opinion the information given 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 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 misstatement's 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.

AEGON INVESTMENT MANAGEMENT UK LTD

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AEGON INVESTMENT MANAGEMENT UK LTD
FOR THE YEAR ENDED 31 DECEMBER 2006**

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 2006 and of its profit 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.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

Edinburgh

22 March 2007

AEGON INVESTMENT MANAGEMENT UK LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	<u>Notes</u>	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Turnover		36,501	31,941
Cost of sales		(4,006)	(3,456)
Gross profit		32,495	28,485
Administrative expenses	2	(25,128)	(23,301)
Operating profit		7,367	5,184
Interest receivable and similar income	3	130	180
Profit on ordinary activities before taxation		7,497	5,364
Tax on profit on ordinary activities	4	(2,253)	(1,609)
Profit on ordinary activities after taxation		5,244	3,755

There are no other recognised gains or losses

The results for the year relate wholly to continuing activities

The notes on pages 9 to 13 form an integral part of these financial statements.

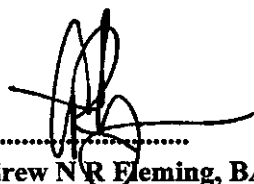
AEGON INVESTMENT MANAGEMENT UK LTD

BALANCE SHEET AS AT 31 DECEMBER 2006

	<u>Notes</u>	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Current Assets			
Debtors	6	3,967	2,647
Cash at bank and in hand		3,010	359
		<u>6,977</u>	<u>3,006</u>
Creditors: amounts falling due within one year	7	<u>(6,633)</u>	<u>(1,156)</u>
Net Current Assets		<u>344</u>	<u>1,850</u>
 Capital and Reserves			
Called up share capital	8		
Profit and loss account		<u>344</u>	<u>1,850</u>
Equity Shareholders' Funds	9	<u>344</u>	<u>1,850</u>

The financial statements were approved by the Board of Directors and authorised for issue on
Signed on its behalf by

16/3/2007



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Andrew N R Fleming, BA
Chairman

The notes on pages 9 to 13 form an integral part of these financial statements.

AEGON INVESTMENT MANAGEMENT UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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. Interest receivable

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

1.3. 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.

1.4. 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 £21,818,000 (2005 £22,985,000) which was invoiced from AEGON UK Corporate Services Limited for the provision of management services. AEGON UK Corporate Services Limited paid audit fees of £4,000 (2005 £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

Directors' emoluments

Details of directors' emoluments for the year ended 31 December 2006, can be found in the parent company accounts of AEGON Asset Management UK PLC

AEGON INVESTMENT MANAGEMENT UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

3. Interest receivable and similar income

	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Deposit interest	130	181
Interest Payable		(1)
	<u>130</u>	<u>180</u>

AEGON INVESTMENT MANAGEMENT UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

4. Taxation

(a) Analysis of tax charge for the year

UK Current Tax

	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
UK corporation tax charge on profits for the year	3,155	1,609
Total current tax charge	3,155	1,609
<u>UK Deferred Tax</u>		
Origination and reversal of timing differences	(902)	
Total deferred tax (credit)	(902)	
	<u>2,253</u>	<u>1,609</u>

(b) Factors affecting tax charge for the year:

	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Company profit on ordinary activities before tax	7,497	5,364
Company profit on ordinary activities before tax at 30% (2005 30%)	2,249	1,609
Effect of:		
Deferred Tax	902	
Expenses for which no relief available	4	
Total current tax charge	<u>3,155</u>	<u>1,609</u>

5. Dividends

	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Dividends paid	<u>6,750</u>	<u>7,400</u>

AEGON INVESTMENT MANAGEMENT UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

6. Debtors

	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Amounts owed by group undertakings	3,065	2,647
Deferred tax	902	
	<u>3,967</u>	<u>2,647</u>

7. Creditors: amounts falling due within one year

	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Trade creditors	14	12
Amounts owed to group undertakings	1,941	452
Corporation tax payable	1,672	
Group relief payable		692
LTIP payable	3,006	
	<u>6,633</u>	<u>1,156</u>

8. Share capital

	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

9. Reconciliation of movements in shareholders' funds

	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Profit for the year	5,244	3,755
Dividends	(6,750)	(7,400)
Net (decrease) / increase in shareholders' funds	<u>(1,506)</u>	<u>(3,645)</u>
Opening shareholders' funds	1,850	5,495
Closing shareholders' funds	<u>344</u>	<u>1,850</u>

AEGON INVESTMENT MANAGEMENT UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

10. 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

11. 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, AEGON House, Edinburgh Park, Edinburgh, Scotland, United Kingdom, EH12 9SE.