

UBERIOR COINVESTMENTS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

Company Number SC286372



Directors

K M Bothwell
D A Gibson
G J McDonald
I Robertson
G R A Shankland

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

K M Bothwell
D A Gibson
G J McDonald
I Robertson
G R A Shankland

The Directors submit their report and audited accounts of the Company for the year ended 31 December 2006

Incorporation

The Company was incorporated on 20 June 2005

Activity and review of business

The Company operates as an investment holding company

Results and Dividends

The profit after tax for the Company for the year ended 31 December 2006 was £109,401 (2005 loss of £37,870)

Directors and their interests

The Directors at the date of this report are as stated on page 1

Dates of appointments and resignations were as follows

<u>Director</u>	<u>Date of Appointment</u>	<u>Date of Resignation</u>
K M Bothwell	09/02/2006	
D A Gibson	09/02/2006	
G R A Shankland	09/02/2006	
B J W Lambie		09/02/2006

The other Directors all served throughout the year

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

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

During the period 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

	<u>At 31 12 05</u> <u>or date of appointment if later</u> <u>HBOS plc shares</u>	<u>At 31 12 06</u> <u>HBOS plc shares</u>
K M Bothwell	12,331	17,016
D A Gibson	36,340	45,683
G J McDonald	11,698	20,527
I Robertson	64,573	84,658
G R A Shankland	38,223	38,223

REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)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

	<u>Grant effective from</u>	<u>Shares as at</u> <u>31 12 06</u>
K M Bothwell	March 2004	1,775
	March 2005	1,485
	March 2006	1,495
D A Gibson	March 2004	929
	March 2005	1,350
	March 2006	1,495
G J McDonald	March 2004	1,724
	March 2005	1,530
	March 2006	1,495
I Robertson	March 2004	1,603
	March 2005	5,669
	March 2006	3,332
G R A Shankland	March 2004	2,322
	March 2005	4,254
	March 2006	4,487

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 2006

	<u>Grant effective from</u>	<u>At 31 12 05 or date of appointment if later</u>	<u>Granted (G) or lapsed (L) in year</u>	<u>Added as a result of performance</u>	<u>Dividend reinvestment shares</u>	<u>Released in year</u>	<u>At 31 12 06</u>
D A Gibson	January 2006		3,176 (G)				3,176
I Robertson	January 2003	17,708		16,978	2,748	(37,434)	
	January 2004	25,104					25,104
	January 2005	21,428					21,428
	January 2006		20,481 (G)				20,481
G R A Shankland	January 2003	6,640		6,366	1,030	(14,036)	
	January 2004	6,973					6,973
	January 2005	10,168					10,168
	January 2006		17,067 (G)				17,067

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 2003 grant ended on 31 December 2005 and, in the light of the performance outcome, grants were released at 183% of the conditional award. On maturity, dividend reinvestment shares equivalent to approximately 15.5% of the original conditional grant were also released to participants in accordance with the rules of the plan.

REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)Long term Incentive PlanHBOS 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

	<u>Options outstanding at</u> <u>31 12 05 or date of</u> <u>appointment</u>	<u>Granted (G), lapsed (L) or</u> <u>exercised (E) in year</u>	<u>At 31 12 06</u>
K M Bothwell	11,789		11,789
D A Gibson	6,487	3,119 (E)	3,368
G J McDonald	5,624	3,612 (E)	2,012
I Robertson	57,000	7,000 (E)	50,000
G R A Shankland	18,937	7,227 (E)	11,710

Sharesave Plan

Share options granted under these plans are set out below

	<u>At 31 12 05</u>	<u>Granted (G) lapsed (L) or</u> <u>exercised (E) in year</u>	<u>At 31 12 06</u>
K M Bothwell	1,755	715 (G), 1,090 (E)	1,380
D A Gibson	4,398	425 (G), 644 (E)	4,179
G J McDonald	2,773	413 (G)	3,186
I Robertson	2,933	1,581 (E)	1,352
G R A Shankland	5,259	319 (G)	5,578

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

REPORT OF THE DIRECTORS (continued)

Going Concern

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

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 he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

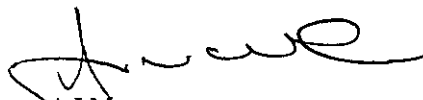
Company Secretary

A I Macrae

Auditors

KPMG Audit Plc have signified their willingness to continue in office

By Order of the Board,



A I Macrae
Secretary

19th February 2007

Registered Office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

Income Statement**For the year ended 31 December 2006**

			For the 6 month period ended
	<i>Note</i>	2006	31 December 2005
		£	£
Investment income		303,065	
Other expenses	2	(2,565)	(1,000)
Other income	3	2,799	
		<u>303,299</u>	<u>(1,000)</u>
Profit on disposal of investments		326,951	
Operating profit/(loss) before financing costs		<u>630,250</u>	<u>(1,000)</u>
Net financing costs	4	<u>(473,963)</u>	<u>(53,100)</u>
Profit/(Loss) before tax		<u>156,287</u>	<u>(54,100)</u>
Income tax (expense)/credit	5	(46,886)	16,230
Profit/(Loss) after tax for the year		<u>109,401</u>	<u>(37,870)</u>
Attributable to:			
Equity holders		<u>109,401</u>	<u>(37,870)</u>
Profit/(Loss) for the year		<u>109,401</u>	<u>(37,870)</u>

The notes on pages 11 to 18 form part of these accounts

Statement of Recognised Income and Expense**For the year ended 31 December 2006**

		For the 6 month period ended 31 December	
	<i>Note</i>	2006	2005
		£	£
Change in fair value of equity securities available for sale	9	28,798,791	
Profit/(Loss) for the year	9	109,401	(37,870)
Total recognised income and expense for the year		<u>28,908,192</u>	<u>(37,870)</u>
Attributable to:			
Equity holders		28,908,192	(37,870)
Profit/(Loss) for the year		<u>28,908,192</u>	<u>(37,870)</u>

The notes on pages 11 to 18 form part of these accounts

Balance Sheet**As at 31 December 2006**

	<i>Note</i>	2006 £	2005 £
Assets			
Investments	6	178,684,842	2,000,000
Total non current assets		<u>178,684,842</u>	<u>2,000,000</u>
Income tax receivables	5		16,230
Total current assets			<u>16,230</u>
Total assets		<u>178,684,842</u>	<u>2,016,230</u>
Equity			
Issued capital		1,000	1,000
Reserves		28,798,791	
Retained earnings		71,531	(37,870)
Total equity	9	<u>28,871,322</u>	<u>(36,870)</u>
Liabilities			
Deferred tax liabilities	7	<u>12,342,339</u>	
Total non current liabilities		<u>12,342,339</u>	
Bank overdraft	8	45,272,919	2,052,100
Interest bearing loans & borrowings	10	91,876,210	
Trade and other payables	11	277,965	1,000
Income tax payable	5	44,087	
Total current liabilities		<u>137,471,181</u>	<u>2,053,100</u>
Total liabilities		<u>149,813,520</u>	<u>2,053,100</u>
Total equity and liabilities		<u>178,684,842</u>	<u>2,016,230</u>

The notes on pages 11 to 18 form part of these accounts

Approved by the board at a meeting on 19th February 2007 and signed on its behalf by



Director

Statement of Cash Flows**For the year ended 31 December 2006**

		2006	For the 6 month period ended 31 December 2005
	<i>Note</i>	£	£
Cash flows from operating activities		624,725	(1,000)
Increase in trade & other payables		762	1,000
Profits on disposal of investments		(326,951)	
Cash generated from operations		298,536	
Interest paid		(195,034)	(53,332)
Interest received	3	2,799	232
Tax received		13,431	
Net cash from operating activities		119,732	(53,100)
Cash flows from investing activities			
Acquisition of investments	6	(179,543,223)	(2,000,000)
Proceeds from sale of investments		43,954,215	
Net cash from investing activities		(135,589,008)	(2,000,000)
Cash flows from financing activities			
Share capital issued			1,000
Increase in borrowings	10	91,876,210	
Exchange movement		372,247	
Net cash from financing activities		92,248,457	1,000
Net decrease in cash and cash equivalents		(43,220,819)	(2,052,100)
Cash and cash equivalents at 1 January		(2,052,100)	
Cash and cash equivalents at 31 December	8	(45,272,919)	(2,052,100)

The notes on pages 11 to 18 form part of these accounts

Notes to the financial statements**1. Significant accounting policies**

Uberior CoInvestments Limited (the "Company") is a company domiciled in Scotland

The financial statements were authorised for issue by the directors on 19th February 2007

(a) Statement of compliance

The 2006 statutory financial statements set out on pages 7 to 18 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS')

The standards adopted by the Company are those endorsed by the European Union and effective at the date the consolidated IFRS financial statements are approved by the Board

The accounts also comply with the relevant provisions of Part VII of the Companies Act 1985, as amended by the Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their fair values: derivatives, financial instruments held for trading, financial instruments designated at fair value through the income statement, financial instruments classified as available for sale and investment properties

(c) Adopted IFRS not yet applied

IFRS 7 'Financial instruments: Disclosure' and the 'Capital disclosure amendment' to IAS 1 'Presentation of financial statements' which are applicable for periods commencing on or after 1 January 2007 have not been applied. The application of these standards in 2006 would not have affected the balance sheets, income statement or cash flow statements as they are only concerned with disclosure

(d) Investments**Investments in debt and equity securities**

Investment securities held for trading are carried at fair value. Gains, losses and related income are taken to net trading income as they arise

Investment securities designated at fair value through the income statement are carried at fair value. Gains, losses and related income are taken to other operating income as they arise

Debt securities for which there is no active market are classified as loans and receivables, other than those that are held for trading or designated at fair value through the income statement. They are initially recognised at fair value plus directly related transaction costs and are subsequently carried on the balance sheet at amortised cost using the effective interest method less provision for impairment

Notes to the financial statements (cont)**1. Significant accounting policies (cont)****(d) Investments (cont)**

All other investment securities are classified as available for sale. They are initially recognised at fair value plus directly related transaction costs and are subsequently carried on the balance sheet at fair value. Unrealised gains or losses are recognised directly in equity in the available for sale reserve, except for impairment losses or foreign exchange gains or losses related to debt securities, which are recognised immediately in the income statement in impairment on investment securities or other operating income respectively. Income on debt securities is recognised on an effective interest rate basis and taken to interest receivable through the income statement. Income from equity shares is credited to other operating income, with income on listed equity shares being credited on the ex-dividend date and income on unlisted equity shares being credited on an equivalent basis. On sale or maturity, previously unrealised gains and losses are recognised in other operating income.

Impairment losses on available for sale equity instruments are not reversed through the income statement. Any increase in the fair value of an available for sale equity instrument after an impairment loss has been recognised is treated as a revaluation and recognised directly in equity. An impairment loss on an available for sale debt instrument is reversed through the income statement, if there is evidence that the increase in fair value is due to an event that occurred after the impairment loss was recognised.

The fair value of investment securities is based on market prices or broker/dealer valuations. Where this information is not available, the fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics or similar valuation model.

The Group uses settlement date accounting when recording the purchase and sale of investment securities, with the exception of those held for trading for which trade date accounting is used.

(e) Trade and other receivables

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

(f) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than investing or other purposes. Cash and cash equivalents consist of cash and balances at central banks that are freely available, loans and advances to banks with a maturity of three months or less excluding financial assets that are held for trading purposes.

(g) Share capital**(i) Dividends**

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

(h) Trade and other payables

Trade and other payables are stated at cost.

Notes to the financial statements (cont)**1. Significant accounting policies (cont)****(i) Expenses****(i) Net financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested

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

(j) Taxation

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. The tax charge is analysed between tax that is payable in respect of policyholder returns and tax that is payable on shareholders' equity returns. This allocation is based on an assessment of the effective rate of tax that is applicable to shareholders' equity for the year.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates at the balance sheet date.

Notes to the financial statements (cont)**2. Other Expenses**

	2006	2005
	£	£
Audit fees	2,525	1,000
Other expenses	40	
	<u>2,565</u>	<u>1,000</u>

3. Other income

	<u>2,799</u>
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4. Net financing costs

	2006	2005
	£	£
Interest expense	(471,237)	(53,332)
Interest received		232
Foreign exchange movement	(2,726)	
Net financing costs	<u>(473,963)</u>	<u>(53,100)</u>

5. Income tax**Recognised in the income statement**

	2006	2005
	£	£
Current tax (charge)/credit		
Current period at a rate of 30% (2005 30%)	(46,886)	16,230
Total income tax (charge)/credit in income statement	<u>(46,886)</u>	<u>16,230</u>

Reconciliation of effective tax rate

	2006	2005
	£	£
Profit/(loss) before tax	<u>156,287</u>	<u>(54,100)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK – 30%	<u>(46,886)</u>	<u>16,230</u>

Current tax assets and liabilities

The current tax liability of £44,087 (2005 asset £16,230) represents the amount of income taxes payable in respect of the current period

Notes to the financial statements (cont)

6. Investments

	Loans and receivables	Available for sale	2006 Total	2005 Market Value
	£	£	£	£
Unlisted				
Debt securities	46,052,840		46,052,840	1,995,607
Equity shares		132,632,002	132,632,002	4,393
Total investments	46,052,840	132,632,002	178,684,842	2,000,000

The movement in investments can be summarised as follows

	Loans and receivables	Available for sale	Total
	£	£	£
At 1 January 2006	1,995,607	4,393	2,000,000
Additions & transfers in	87,832,788	91,710,435	179,543,223
Disposals & transfers out	(43,627,264)		(43,627,264)
Changes to fair value in available for sale investments		41,141,130	41,141,130
Exchange translation	(148,291)	(223,956)	(372,247)
As at 31 December 2006	46,052,840	132,632,002	178,684,842

7. Deferred tax liabilities

Deferred tax liabilities are attributable to the following

	2006	2005
	£	£
Available for sale equities	12,342,339	
Tax liabilities	12,342,339	

Movement in temporary differences in the year

	Balance at 1 January 2006	Recognised in equity	Balance at 31 December 2006
	£	£	£
Available for sale equities		(12,342,339)	(12,342,339)

8. Cash and cash equivalents

	2006	2005
	£	£
Bank overdraft	45,272,919	2,052,100
Cash and cash equivalents in the statement of cash flows	45,272,919	2,052,100

Notes to the financial statements (cont)**9. Capital and reserves****Reconciliation of movement in capital and reserves****Attributable to equity holders of the parent**

	Share capital £	Fair value reserve £	Retained earnings £	Total equity £
Balance at 20 June 2005	1,000			1,000
Total recognised income and expense			(37,870)	(37,870)
Balance at 31 December 2005	1,000		(37,870)	(36,870)
Balance at 1 January 2006	1,000		(37,870)	(36,870)
Total recognised income and expense			109,401	109,401
FV changes on AFS equities		41,141,130		41,141,130
Deferred Tax on AFS equities		(12,342,339)		(12,342,339)
Balance at 31 December 2006	1,000	28,798,791	71,531	28,871,322

Share capital

	Ordinary shares	
	2006 £	2005 £
On issue at 1 January and at 31 December – Fully paid	1,000	1,000
	1,000	1,000

At 31 December 2006, the authorised share capital comprised 1,000 Ordinary Shares

The holder of the Ordinary Shares is entitled to receive dividends as declared from time to time and is entitled to vote at meetings of the Company

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available for sale investments until the investment is derecognised

10. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings. For more information about the Company's exposure to interest rate and foreign currency risk, see note 12

	2006 £	2005 £
Current liabilities		
Unsecured bank loans	91,876,210	

Notes to the financial statements (cont)**10. Interest bearing loans and borrowings (cont)****Terms and debt repayment schedule**

The term loans are unsecured and represent amounts due to the Company's intermediate parent undertaking, The Governor and Company of the Bank of Scotland. The term loans fall due for repayment in 2007.

11. Trade and other payables

	2006	2005
	£	£
Accruals	277,965	1,000

12. 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 repricing 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.

	Note	Effective interest rate	Total £	6 months or less £
Bank overdrafts	8	0.06%	45,272,919	45,272,919
Unsecured bank facility	10	4.55%	91,876,210	91,876,210

Foreign currency risk

The Company is exposed to foreign currency risk on investments and borrowings that are denominated in a currency other than Sterling. The Company follows HBOS plc Group policy in ensuring that all foreign currency investments are matched with borrowings in the same currency. The currency giving rise to this risk is U.S. Dollars and Euros.

Fair values

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

	Note	Carrying amount £	Fair value 2006 £
Equity securities available for sale	6	132,632,002	132,632,002
Debt securities loans and receivables	6	46,052,840	46,052,840
Bank overdraft	8	45,272,919	45,272,919
Unsecured bank facility	10	91,876,210	91,876,210
Trade and other payables	11	277,965	277,965
		<u>316,111,936</u>	<u>316,111,936</u>
Unrecognised gains			

Notes to the financial statements (cont)**12. Financial Instruments (cont)****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

Securities

Fair value of equity securities available for sale is calculated in accordance with the guidelines set out by the British Venture Capital Association

Trade and other receivables / payables

For receivables / payables 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

13. Capital commitments

The company has committed £162,300,000 (2005 Nil) in direct investments alongside private equity firms of which £23,414,000 is undrawn (2005 Nil)

14. Related parties

The Company's parent undertaking is Uberior Fund Investments Ltd. Its intermediate parent undertaking is 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 loans and overdrafts. Details of the related party transactions during the period are disclosed in the table below.

Nature of transaction	Outstanding balance at 1 January 2006	Outstanding balance at 31 December 2006	Income/expense included in profit and loss account for the period ended 31 December 2006	Disclosure in financial statement
	£	£	£	
Bank overdraft	2,052,100	45,272,919		Cash and cash equivalents
Term Loan Euros		50,154,866		Interest bearing loans & borrowings
Term Loan US Dollar		41,721,344		Interest bearing loans & borrowings
Interest payable			471,237	Financial expense

15. Parent undertaking

HBOS plc is the ultimate parent undertaking of Uberior CoInvestments Limited and heads the largest group into which the accounts of the Company are consolidated. The consolidated accounts of HBOS plc may be obtained from its Head Office at The Mound, Edinburgh EH1 1YZ.

The Governor and Company of the Bank of Scotland heads the smallest group into which the accounts of the Company are consolidated. The accounts of The Governor and Company of the Bank of Scotland may be obtained from its Head Office at The Mound, Edinburgh EH1 1YZ.

Statement of directors' responsibilities in respect of the Uberior CoInvestments Limited report and financial statements

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 company financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with IFRSs as adopted by the EU.

The company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the company and the performance for that period. 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 the company 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 Directors' Report.

Independent Auditors' Report To The Members Of Uberior CoInvestments Limited

We have audited the financial statements of Uberior CoInvestments Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense 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 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 19.

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report on 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 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 IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended, and
- 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
27 February 2007