UBERIOR CO INVESTMENTS LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Company Number SC286372

Directors

K M Bothwell
D A B Gibson
G J McDonald
C Richards
G R A Shankland

Secretary

J E Nielsen

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 B Gibson
G J McDonald
C Richards
G R A Shankland

The Directors submit their report and audited accounts of Uberior Co Investments Limited (the "Company") for the year ended 31 December 2007

Incorporation

The Company was incorporated on 20 June 2005

Activity and review of business

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

Results and Dividends

The profit after tax for the Company for the year ended 31 December 2007 was £33,284,683 (2006 £109,401) Dividends of £19,191,000 were paid during the year (2006 £nil)

Directors and their interests

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

Dates of appointments and resignations were as follows

Director	Date of Appointment	Date of Resignation
I Robertson		29th June 2007
C Richards	5th November 2007	

The other Directors all served throughout the year

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

REPORT OF THE DIRECTORS (continued)

Company Secretary

A I Macrae resigned on 31st August 2007 and J E Nielsen was appointed on 31st August 2007

Auditors

KPMG Audit Plc have signified their willingness to continue in office

By Order of the Board,

Jennifer E Nielsen

J E Nielsen

18th February 2008

Registered Office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

Income Statement

For the year ended 31 December 2007

	Note	2007 £	2006 £
Investment income	2	11,083,918	303,065
Other income	4	232,455	2,799
		11,316,373	305,864
Administrative expenses		(138,320)	
Other expenses	3	(638,931)	(2,565)
		(777,251)	(2,565)
Profit on disposal of investments		57,532,072	326,951
Amounts written off investments	7	(10,000,000)	
Operating profit before financing costs		58,071,194	630,250
Financial expenses	5	(9,355,870)	(473,963)
Profit before tax		48,715,324	156,287
Income tax expense	6	(15,430,641)	(46,886)
Profit after tax for the year		33,284,683	109,401
Attributable to:			
Equity holders		33,284,683	109,401
Profit for the year		33,284,683	109,401

The notes on pages 8 to 20 form part of these accounts

Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Note	2007 £	2006 £
Change in fair value of equity securities available for sale	*10*	25,534,552	28,798,791
Profit for the year	*10*	33,284,683	109,401
Total recognised income and expense for the year		58,819,235	28,908,192
Attributable to:			
Equity holders		58,819,235	28,908,192
Profit for the year		58,819,235	28,908,192

The notes on pages 8 to 20 form part of these accounts

Balance Sheet

As at 31 December 2007

	Note	2007 £	2006 £
Assets			
Investments	*7*	429,461,770	178,684,842
Total non current assets		429,461,770	178,684,842
Total assets		429,461,770	178,684,842
Equity			
Issued capital		1,000	1,000
Reserves		54,333,343	28,798,791
Retained earnings		14,165,214	71,531
Total equity	*10*	68,499,557	28,871,322
Liabilities			
Deferred tax liabilities	*8*	25,151,315	12,342,339
Interest bearing loans & borrowings	*11*	29,263,461	
Total non current liabilities		54,414,776	12,342,339
Bank overdrafts	*9*	62,452,265	45,272,919
Interest bearing loans & borrowings	*11*	225,794,788	91,876,210
Trade and other payables	*12*	6,891,424	277,965
Income tax payable	*6*	11,408,960	44,087
Total current liabilities		306,547,437	137,471,181
Total liabilities		360,962,213	149,813,520
Total equity and liabilities		429,461,770	178,684,842

The notes on pages 8 to 20 form part of these accounts

Approved by the Board at a meeting on 18th February 2008 and signed on its behalf by

Director

Statement of Cash Flows

For the year ended 31 December 2007

	Note	2007 £	2006 £
Cash flows from operating activities			
Operating profit		58,071,194	624,725
Increase in trade & other payables		139,713	762
Profits on disposal of investments		(57,532,072)	(326,951)
Amounts written off investments	7	10,000,000	
Exchange movement		(12,104,644)	372,247
Cash generated from operations		(1,425,809)	670,783
Interest paid		(2,864,328)	(195,034)
Interest received			2,799
Tax (paid) / received		(44,087)	13,431
Net cash from operating activities		(4,334,224)	491,979
Cash flows from investing activities			
Acquisition of investments	7	(215,058,657)	(179,543,223)
Proceeds from sale of investments		58,223,168	43,954,215
Net cash from investing activities		(156,835,489)	(135,589,008)
Cash flows from financing activities			
Payment of dividend	10	(19,191,000)	
Increase in borrowings	11	163,182,039	91,876,210
Net cash from financing activities		143,991,039	91,876,210
Net decrease in cash and cash equivalents		(17,178,674)	(43,220,819)
Cash and cash equivalents at 1 January		(45,272,919)	(2,052,100)
Exchange movement on cash held		(672)	
Cash and cash equivalents at 31 December	9	(62,452,265)	(45,272,919)

The notes on pages 8 to 20 form part of these accounts

Notes to the financial statements

1. **Significant accounting policies**

Uberior Co Investments Limited is a company domiciled in Scotland

The financial statements were authorised for issue by the Directors on 18th February 2008

(a) Statement of compliance

The financial statements of Uberior Co Investments Ltd comprise the Income Statement, Balance Sheet, Cash Flow Statement and the Statement of Recognised Income and Expense together with the related Notes to the accounts The 2007 financial statements set out on pages 4 to 20 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') As the Company does not utilise the "carve out" in IAS39 adopted by the European Union, the financial statements comply with International Financial Reporting Standards The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board

The financial statements 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 financial instruments classified as available for sale

The accounting policies set out below have been applied consistently to the years presented in these financial statements

(c) IFRS applied in 2007

The following IFRS standards have been applied in 2007

IFRS 7 "Financial Instruments Disclosures" and the amendment to IAS 1 "Presentation of Financial Statements" on capital disclosure There is no material financial impact arising from the application

(d) IFRS not yet applied

The following standard has not yet been adopted by the European Union, is not effective for the year ended 31 December 2007 and has not been applied in preparing the financial statements

IAS 1 "Presentation of Financial Statements" which is effective for periods commencing on or after 1 January 2009 The application of this revised standard in 2007 would not have had any financial impact on the financial statements It will impact the presentation and format of the primary statements and notes and these disclosures will be revised accordingly in the 2009 financial statements

(e) Foreign currencies

The financial statements are presented in Sterling which is the Company's functional and presentation currency Transactions in foreign currencies are translated at the foreign exchange rate ruling at the last day of the month following the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(f) Investments

Investments in debt and equity securities

Debt securities for which there is no active market are classified as loans and receivables 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

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 company uses settlement date accounting when recording the purchase and sale of investment securities

(g) Trade and other receivables

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

(h) 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

(i) Impairment

The carrying amounts of the Company's assets, and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment Individual impairment is identified at a counterparty specific level following objective evidence that a financial asset is impaired This may be after an interest or principal payment is missed or if a banking covenant is breached If any such indication exists, the asset's recoverable amount is estimated

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(i) Impairment (continued)

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement

(i) Calculation of recoverable amount
The recoverable amount of assets is the greater of their net selling price and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs

(ii) Reversal of impairment
An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

(j) Share capital

(i) Dividends
Dividends are recognised in the year in which they are paid

(k) Trade and other payables
Trade and other payables are stated at cost

(l) Expenses

(i) Financial expenses
Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(m) 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

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 (continued)

2. Investment income

	2007	2006
	£	£
Income from investment securities available for sale	6,458,510	
Income from loans and receivables	4,625,408	303,065
	11,083,918	303,065

3. Other expenses

	2007	2006
	£	£
Audit fees	4,139	2,525
Interest on purchase of investment	634,431	
Other expenses	361	40
	638,931	2,565

4. Other income

	2007	2006
	£	£
Other fee income	232,455	2,799

5. Financial expenses

	2007	2006
	£	£
Interest expense	(9,338,074)	(471,237)
Foreign exchange movement	(17,796)	(2,726)
	(9,355,870)	(473,963)

6 Income tax

Recognised in the income statement

	2007	2006
	£	£
Current tax charge		
Current year charge at a rate of 30% (2006 30%)	(11,408,960)	(46,886)
Deferred tax charge	(4,021,681)	
Total income tax charge in income statement	(15,430,641)	(46,886)

Reconciliation of effective tax rate

	2007	2006
	£	£
Profit before tax	48,715,324	156,287
Income tax using the corporation tax rate of 30%	(14,614,597)	(46,886)
Non deductible income/expense	(1,103,307)	
Impact of change in rate of corporation tax	287,263	
	(15,430,641)	(46,886)

Current tax liabilities

The current tax liability of £11,408,960 (2006 £44,087) represents the amount of income taxes payable in respect of the current year

Notes to the financial statements (continued)

7. Investments

	Loans and receivables £	Available for sale £	2007 Total £	2006 Total £
Unlisted				
Debt securities	102,191,593		102,191,593	46,052,840
Equity shares		327,270,177	327,270,177	132,632,002
Total investments	102,191,593	327,270,177	429,461,770	178,684,842

The movement in investments can be summarised as follows

	Loans and receivables £	Available for sale £	Total £
At 1 January 2007	46,052,840	132,632,002	178,684,842
Additions & transfers in	65,266,868	149,791,789	215,058,657
Disposals & transfers out	(581,810)	(109,286)	(691,096)
Changes to fair value in available for sale investments		34,321,847	34,321,847
Exchange translation	1,172,390	10,915,130	12,087,520
Amounts written off	(9,718,695)	(281,305)	(10,000,000)
As at 31 December 2007	102,191,593	327,270,177	429,461,770

8 Deferred tax liabilities

Deferred tax liabilities are attributable to the following

	2007 £	2006 £
Other	4,021,681	
Available for sale equities	21,129,634	12,342,339
Tax liabilities	25,151,315	12,342,339

Movement in temporary differences in the year

	Balance at 1 Jan 2007 £	Recognised in income £	Recognised in equity £	Balance at 31 Dec 2007 £
Other		4,021,681		4,021,681
Available for sale equities	12,342,339		8,787,295	21,129,634
	12,342,339	4,021,681	8,787,295	25,151,315

9. Cash and cash equivalents

	2007 £	2006 £
Bank overdrafts	62,452,265	45,272,919
Cash and cash equivalents in the statement of cash flows	62,452,265	45,272,919

Notes to the financial statements (continued)

10. Capital and reserves

The distributable reserves of the Company are managed through the Group Capital and Funding Policy in order to maximise capital efficiency within the HBOS Group Dividends are paid from reserves available for distribution to the parent undertaking as reported by the previously approved annual accounts according to parameters set out at a Group level so as to avoid any build up of reserve balances within the Company Other reserves, such as those arising on the revaluation of assets classified as 'available for sale' that are booked directly to equity, are not managed as part of capital

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 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
Balance at 1 January 2007	1,000	28,798,791	71,531	28,871,322
Total recognised income and expense			33,284,683	33,284,683
FV changes on AFS equities		34,321,847		34,321,847
Deferred Tax on AFS equities		(8,787,295)		(8,787,295)
Dividends paid			(19,191,000)	(19,191,000)
Balance at 31 December 2007	1,000	54,333,343	14,165,214	68,499,557

Share capital

	Ordinary shares 2007	Ordinary shares 2006
	£	£
On issue at 1 January and at 31 December – Fully paid	1,000	1,000

At 31 December 2007, the authorised share capital comprised 1,000 ordinary shares of £1 each

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

Notes to the financial statements (continued)

11. 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 13

	2007	2006
	£	£
Non-current liabilities		
Unsecured bank loans	29,263,461	
Current liabilities		
Unsecured bank loans	225,794,788	91,876,210

Terms and debt repayment schedule
The term loans are unsecured and represent amounts due to the Company's intermediate parent undertaking, Bank of Scotland plc The term loans fall due for repayment at various dates between January 2008 and August 2012 Interest was fixed on the loans on the date the loans were advanced to the Company

12. Trade and other payables

	2007	2006
	£	£
Audit fees	2,944	1,762
Accruals	6,888,480	276,203
	6,891,424	277,965

13. Financial instruments

Credit Risk
Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due Credit exposures arise in the normal course of the Company's business, principally from investment activities that bring debt securities into the Company's asset portfolio The table below sets out the maximum exposure to credit risk at the balance sheet date

	2007	2006
	£	£
On Balance sheet		
Investments Debt securities	102,191,593	46,052,840

Notes to the financial statements (continued)

13. Financial Instruments (continued)

Debt securities in issue are carried at amortised cost adopting the impairment policy described within note 1(f), exposure is concentrated amongst UK registered institutions who are primarily engaged in *financial intermediation and real estate activities* Other exposures consist of Bank and other inter company balances with the HBOS group and trade receivables which consist predominantly of accrued interest At the reporting date none of the debt securities were considered past due or impaired neither were there any financial assets that would otherwise be past due or impaired had their terms not have been renegotiated

The table below sets out the internal credit rating of debt securities

		2007	2006
		%	%
Internal rating	Satisfactory risk	74	79
Internal rating	Viable but monitoring	26	21

Market risk

Market risk is defined as the potential loss in value or earnings of the Company arising from changes in external market factors such as

- Interest rates (interest rate risk)
- Foreign exchange rates (foreign exchange risk)
- Equity markets (equity risk)

Interest rate risk

Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases, or which reset at different times

Debt securities which provide fixed rate earnings have been matched with fixed rate financial liabilities provided by another HBOS group Company Other interest bearing financial instruments are primarily limited to variable interest rates which respond to prevailing market rates of interest Accordingly the Company does not have any significant interest rate exposures as demonstrated by the Net Interest Income Sensitivity note below

Interest rate exposure is concentrated primarily within the UK money markets The principal internal control metric is the Net Interest Income (NII) sensitivity which measures how much of the current projection for the next 12 months' NII would alter if different assumptions are made about the future levels of interest rates

The table below sets out the sensitivity of the Company's net interest income (NII) over a 12 month period to an immediate up and down 25 basis points change to all interest rates as at the balance sheet date

	2007	2006
	£	£
Impact of +25 bps shift	(600,084)	(342,873)
Impact of – 25 bps shift	600,084	342,873

The measure, however, is simplified in that it assumes all interest rates, for all currencies and maturities, move at the same time and by the same amount Also, it does not recognise the impact of management actions that, in the event of an adverse rate movement, could reduce the impact on NII

Notes to the financial statements (continued)

13. Financial Instruments (continued)

Foreign exchange risk

Foreign exchange risk arises on investments and borrowings denominated in a currency other than Sterling The currencies giving rise to this risk are US Dollars and Euros The Company follows a policy of ensuring that all foreign currency investments are matched with borrowings in the same currency, thus no sensitivity to foreign exchange exposure is considered to exist

Equity risk

Equity risk exists from the Company's exposure to unlisted equity shares The Company undertakes a full assessment of each entity's potential for value creation prior to entering into a new transaction Thereafter the performance of each investment is continually monitored and action taken as deemed appropriate in the circumstances Further information about the Company's sensitivity to changes in the fair value of equity investments is set out below

At the reporting date the carrying value of equity investments amounted to £327m For available for sale investments, changes in fair value will be taken directly to equity through the available for sale (AFS) reserve The table below sets out the sensitivity of the AFS reserve (before tax) to a 10% fall in fair value of equity investments as at the balance sheet date

	2007 AFS Reserve £	2006 AFS Reserve £
Unlisted equity investments	32,727,018	13,263,200
	32,727,018	13,263,200

The fund investment portfolio remains well diversified across five major concentration indicators Fund type, Fund Manager, Underlying Investment Volume, Underlying Investment Sector and Underlying Investment Geographic Location

Geographic exposure is predominantly within the UK and there is an insignificant market concentration outside of the European Union at a fund manager level

Liquidity Risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost This risk can arise from mismatches in the timing of cash flows relating to assets, liabilities and off balance sheet instruments The Company's short term liquidity requirements are supported by a facility with another HBOS group Company subject to internal limits Overall liquidity of the HBOS plc Group is managed centrally

Notes to the financial statements (continued)

13. Financial Instruments (continued)

The table below sets out the cash flows payable by the Company in respect of financial liabilities, by remaining contractual undiscounted repayments of principal and interest at the balance sheet date

As at 31 December 2006

	Up to 1 mth	1 3 mths	3 12 mths	1 5 yrs	Total
	£	£	£	£	£
Bank overdrafts	45,272,919				45,272,919
Interest bearing loans and borrowings			93,768,332		93,768,332
Trade and other payables	1,762		276,203		277,965
Total liabilities	45,274,681		94,044,535		139,319,216

As at 31 December 2007

	Up to 1 mth	1 3 mths	3 12 mths	1 5 yrs	Total
	£	£	£	£	£
Bank overdrafts	62,452,265				62,452,265
Interest bearing loans and borrowings	2,395,333	926,543	234,910,084	31,421,511	269,653,471
Trade and other payables	2,944		6,888,480		6,891,424
Total liabilities	64,850,542	926,543	241,798,564	31,421,511	338,997,160

14. Fair values

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

	Note	**Carrying amount**	**Fair value 2007**
		£	**£**
Equity securities available for sale	*7*	327,270,177	327,270,177
Debt securities loans and receivables	*7*	102,191,593	102,191,593
Bank overdraft	*9*	(62,452,265)	(62,452,265)
Unsecured bank facility	*11*	(255,058,249)	(255,117,568)
Trade and other payables	*12*	(6,891,424)	(6,891,424)
		105,059,832	105,000,513
Unrecognised losses			(59,319)

Notes to the financial statements (continued)

14. Fair values (continued)

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

Equity Securities

Fair value of equity securities available for sale is calculated in accordance with the guidelines set out by the British Venture Capital Association In summary, the valuation model will include the review of operational performance to budget, future profitability forecasts and other general operational risk indicators

Debt securities

There is no active market for the debt securities held by the company, nor does the portfolio contain securities with regular payment profiles which would allow fair values to be calculated using a discounted cashflow model Accordingly the fair value has been held at amortised cost

Bank facilities

The fair value of unsecured bank facilities with no stated maturity date is the amount repayable on demand The estimated fair value of fixed interest bearing facilities and other facilities with no quoted market price is calculated using a cash flow model discounted using interest rates for debts with similar maturities

Trade and other payables

For payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value All other payables are discounted to determine the fair value

15. Capital commitments

The company has committed £433,100,000 (2006 £162,300,000) in direct investments alongside private equity firms of which £40,500,000 is undrawn (2006 £23,414,000)

16. Related parties

The Company's immediate parent undertaking is Uberior Fund Investments Ltd Its intermediate parent undertaking is Bank of Scotland plc A dividend of £19,191,000 (2006 £nil) was paid during the year to Uberior Fund Investments Ltd

A number of banking transactions are entered into with Bank of Scotland plc 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 2007	Outstanding balance at 31 December 2007	Income/(expense) included in profit and loss account for the period ended 31 December 2007	Disclosure in financial statement
	£	£	£	
Bank overdraft	45,272,919	62,452,265		Cash and cash equivalents
Term Loan Euros	50,154,866	164,282,465		Interest bearing loans & borrowings
Term Loan US Dollar	41,721,344	90,775,784		Interest bearing loans & borrowings
Interest payable	276,203	6,749,949	(9,338,074)	Interest expense

Notes to the financial statements (continued)

17. Parent undertaking

HBOS plc is the ultimate parent undertaking of Uberior Co Investments 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 Bank of Scotland plc heads the smallest group into which the accounts of the Company are consolidated The accounts of Bank of Scotland plc may be obtained from its Head Office at The Mound, Edinburgh EH1 1YZ

On 17 September 2007 in accordance with the provisions of the HBOS Group Reorganisation Act 2006 ('the Act'), the Governor and Company of the Bank of Scotland registered as a public limited company under the Companies Act and changed its name to Bank of Scotland plc On the same day, under the Act, the business activities, assets (including investments in subsidiaries) and liabilities of CAPITAL BANK plc, Halifax plc and HBOS Treasury Services plc transferred to Bank of Scotland plc

Statement of directors' responsibilities in respect of the Uberior Co Investments 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 Co Investments Limited

We have audited the financial statements of Uberior Co Investments Limited for the year ended 31 December 2007 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 21

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 2007 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
Edinburgh
26 February 2008