UBERIOR VENTURES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Company Number SC235067

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COMPANIES HOUSE

Directors

H C McMillan
J C Moran
E J Morrison
N J C Robinson
B S Anderson
G L T More
D K Gateley

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

H C McMillan	B S Anderson
J C Moran	G L T More
E J Morrison	D K Gateley
N J C Robinson	

The Directors submit their report and audited accounts of the Company for the year ended 31 December 2007

Principal Activity

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

Business Review

During the year the Company continued to manage investments acquired in previous years In addition, new investments identified as having the potential to generate significant returns were acquired and managed by the Company

The business is funded by the Company's intermediate parent undertaking

Risk Management

The key risks and uncertainties faced by the Company are managed within the framework established for the HBOS group Exposure to credit risk, interest rate risk and foreign exchange risk arises in the normal course of the Company's business These risks are discussed below and supplementary qualitative and quantitative information is provided by note 19 to the financial statements The Company is funded by its intermediate parent undertaking and as a result liquidity risk is managed within the HBOS group ('the group')

Credit Risk

A full credit assessment of the financial strength of each potential transaction and/or customer is undertaken, awarding an internal risk rating Internal ratings are reviewed regularly

Interest Rate Risk

Financial assets which are income earning have both fixed and variable interest rates The financial liabilities which fund these investments are facilities provided by another HBOS group company with interest being charged at agreed rates within the group One of the facilities provided is a bank loan which bears interest at a fixed rate for a six month period Consequently the Company is exposed to some interest rate risk

Foreign Exchange Risk

Foreign exchange risk arises on investments and borrowings 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, thus no sensitivity to foreign exchange exposure is considered to exist The currency which gives rise to the Company's foreign exchange risk is Euros

Performance

The Company's profit before tax for the financial year is £186,315,091 (2006 £59,937,456) This represents an increase in profit before tax of 211%

REPORT OF THE DIRECTORS (CONTINUED)

Performance (continued)

In 2007 the Company has assessed the requirement for impairment of investment securities In 2006 £60,497,588 was charged to the Income Statement while this year a charge of £280,000 has been incurred

The current year has seen a higher volume of disposals of investments resulting in profits on disposal of £110,458,072 being recognised in the Income Statement This compares to £36,944,692 of profits on disposal recognised in 2006 The Company aims to hold each investment for the appropriate time period which will maximise returns to the HBOS group and therefore profits recognised on disposals can fluctuate year on year

The Balance Sheet shows total assets of £1,258,466,728 in 2007 compared to £821,981,121 in 2006 This increase is mainly due to net acquisitions of investments in associates and in jointly controlled entities of £142,989,066 (2006 £129,055,604) and net acquisitions and fair value adjustments of debt securities and equity shares of £250,243,266 (2006 £112,256,427) The Company also acquired four wholly owned subsidiaries in the year, Uberior Real Estate Fund Limited, Uberior Europe Limited, Uberior Jersey Limited and Quill Securities Limited It also acquired a partly owned subsidiary AAIM Turbo LLP All of these subsidiaries operate as investment holding companies

The key performance indicator used in assessing the performance of the Company is monitoring of actual cash flows from each investment against plan At each Board meeting the Directors review the performance of the Company's investments on both an individual and an industry sector basis Management accounts are prepared and reviewed by the Directors at Board meetings

Future Developments

The Company remains committed to the business of holding investments and will continue to manage new and existing investments in the future

Results and Dividends

The results for the year are shown in the Income Statement on page 6 An interim dividend of £100,444,000 was paid in the year (2006 £14,956,000) A second interim dividend of £44,113,000 was paid in December (2006 £54,008,000)

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

The Company has received a letter of comfort from Bank of Scotland plc that confirms that it will provide sufficient funds or other financial support or adequate resources to enable the Company to continue in business for the next year

Audit Information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each 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 ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

REPORT OF THE DIRECTORS (CONTINUED)

Directors and their Interests

The Directors at the date of this report are as stated on page 2

Dates of appointments and resignations were as follows

Director	Date of appointment	Date of resignation
G L T More	23 08 2007	
N J C Robinson	23 08 2007	
G R A Shankland		10 09 2007
I Robertson		29 06 2007

The other Directors served throughout the year

No Director had any interest in any material contract or arrangement with the Company during or at the end of the year

Company Secretary

J E Nielsen

Auditors

KPMG Audit Plc have signified their willingness to continue in office

By Order of the Board,

Jennifer E Nielsen

J E Nielsen
Secretary

27th February 2008

Registered Office
Bank of Scotland,
Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

Income Statement

For the year ended 31 December 2007

	Note	2007 £	2006 £
Investment income	2	24,166,954	24,311,020
Income from investment in associates		6,827,440	10,773,050
Income from investment in jointly controlled entities		39,177,657	47,076,705
		70,172,051	82,160,775
Profit on disposal of investments		110,458,072	36,944,692
Amounts written off investments in jointly controlled entities/investments	10/12	(280,000)	(60,497,588)
Administrative expenses	4	(269,885)	(111,504)
Other income	3	11,450,191	3,721,161
Other expenses	5	(6,464)	(7,462)
Net other income		11,443,727	3,713,699
Operating profit before financing costs		191,523,965	62,210,074
Financial income	6	208,066	106,458
Financial expenses	6	(5,416,940)	(2,379,076)
Net financing costs		(5,208,874)	(2,272,618)
Profit before tax		186,315,091	59,937,456
Income tax expense	7	(16,955,782)	(17,101,271)
Profit after tax for the year		169,359,309	42,836,185
Attributable to:			
Equity holders		169,359,309	42,836,185
Profit for the year		169,359,309	42,836,185

The notes on pages 10 to 26 form part of the financial statements

Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Note	2007 £	2006 £
Change in fair value and deferred tax of equity securities available for sale		*(1,180,199)*	1,961,392
Profit for the year		169,359,309	42,836,185
Total recognised income and expense for the year	16	168,179,110	44,797,577
Attributable to.			
Equity holders		168,179,110	44,797,577
Profit for the year		168,179,110	44,797,577

The notes on pages 10 to 26 form part of the financial statements

Balance Sheet

As at 31 December 2007

	Note	2007 £	2006 £
Assets			
Investment in associates	9	108,673,052	26,604,517
Investment in jointly controlled entities	10	355,398,858	294,478,327
Investment in subsidiary undertakings	11	22,061,073	22,061,002
Investments	12	702,605,174	452,361,908
Deferred tax assets	13	1,648,878	
Total non current assets		1,190,387,035	795,505,754
Trade and other receivables	14	3,064,369	2,749,145
Amounts due by subsidiary undertakings		65,015,324	23,726,222
Total current assets		68,079,693	26,475,367
Total assets		1,258,466,728	821,981,121
Equity			
Issued capital		1	1
Reserves		781,193	1,961,392
Retained earnings		57,375,888	32,573,579
Total equity	16	58,157,082	34,534,972
Liabilities			
Deferred tax liabilities	13	303,797	840,597
Total non current liabilities		303,797	840,597
Cash and cash equivalents	15	935,306,322	668,038,736
Interest bearing loans and borrowings	17	64,461,901	46,238,325
Trade and other payables	18	183,257,042	54,974,931
Amounts due to group undertakings		520,003	
Income tax payable	8	16,460,581	17,353,560
Total current liabilities		1,200,005,849	786,605,552
Total liabilities		1,200,309,646	787,446,149
Total equity and liabilities		1,258,466,728	821,981,121

The notes on pages 10 to 26 form part of the financial statements

Approved by the board at a meeting on 27th 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		191,523,965	62,210,074
(Increase)/decrease in trade and other receivables		(315,224)	22,546,657
Increase in trade and other payables		126,840,442	18,574,314
Acquisition of investments		(616,125,675)	(468,672,940)
Disposal of investments		220,896,344	169,814,260
Provision against investments		280,000	60,497,588
Cash generated from operations		(76,900,148)	(135,030,047)
Interest paid		(2,999,465)	(1,821,492)
Income taxes paid		(19,497,639)	(3,073,388)
Net cash from operating activities		(99,397,252)	(139,924,927)
Cash flows from investing activities			
Interest received		208,066	106,458
(Increase)/decrease in amounts due from subsidiary undertakings		(41,289,102)	929,469
Increase in amounts due to group undertakings		520,003	
Acquisition of subsidiary undertakings		(71)	(22,061,002)
Net cash from investing activities		(40,561,104)	(21,025,075)
Cash flows from financing activities			
Increase in borrowings		18,223,576	1,579,118
Foreign exchange loss		(975,806)	
Dividends paid		(144,557,000)	(68,964,000)
Net cash from financing activities		(127,309,230)	(67,384,882)
Decrease in cash and cash equivalents		(267,267,586)	(228,334,884)
Cash and cash equivalents at 1 January		(668,038,736)	(439,703,852)
Cash and cash equivalents at 31 December	15	(935,306,322)	(668,038,736)

Notes to the financial statements

1. Significant accounting policies

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

The financial statements were authorised for issue by the directors on 27th February 2008

(a) Statement of compliance

The financial statements of Uberior Ventures Limited comprise the Income Statement, Balance Sheet, Statement of Cash Flows and Statement of Recognised Income and Expense together with the related Notes to the Accounts The 2007 financial statements set out on pages 6 to 26 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 IFRS 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

(c) IFRS Applied in 2007

The following IFRS standards and International Financial Reporting Interpretations Committee ('IFRIC') interpretations 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 of these standards and interpretations

(d) IFRS not yet applied

The following standards and interpretations have not yet been adopted by the European Union, are not effective for the year ended 31 December 2007 and have 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 material 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 currency

The financial statements are presented in sterling which is the Company's functional and presentation currency Foreign currency transactions are translated into sterling at the exchange rate prevailing at the date of the transaction

Foreign monetary assets and liabilities are translated at balance sheet date exchange rates Exchange differences arising are recognised in the income statement

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(f) Investments

Investments in associates and jointly controlled entities

Associates are entities over which the Company has significant influence, but not control over the financial and operating policies Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control over those policies Jointly controlled entities are entities over which the Company has joint control under a contractual arrangement with other parties

The attributable shares of results of associated undertakings and jointly controlled entities, generally based on audited accounts, are included in the consolidated financial statements of the Company's ultimate parent undertaking, HBOS plc, using the equity method of accounting The share of any losses is restricted to a level that reflects an obligation to fund such losses Accordingly, the Company records such investments at historic cost

Investments in Subsidiaries

Investments in subsidiaries comprise equity investments in, and capital contributions to subsidiary entities These are carried at cost less impairment provisions At each reporting date an assessment is undertaken to determine if there is any indication of impairment This assessment can include reviewing factors such as the solvency, profitability and cash flows generated by the subsidiary If there is an indication of impairment an estimate of the recoverable amount is made If the carrying value exceeds the recoverable amount then a provision for impairment is made to reduce the carrying value to the recoverable amount

Investments in debt and equity securities

Debt securities are classified as loans and receivables where there is no active market 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 rate method less provision for impairment Impairment losses or foreign exchange gains or losses are being recognised immediately through the income statements Income on these assets is recognised on an effective interest basis where it can be reliably estimated and recognised on a cash basis where it cannot be reliably estimated

Equity shares are classified as available for sale They are held on balance sheet at fair value with unrealised gains or losses being recognised directly through reserves except for impairment losses, which are recognised immediately through the income statement Income from listed equity shares is credited to other operating income on receipt of cash and from unlisted equity shares on the same basis

(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 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

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 income statement

Notes to the financial statements (continued)

(i) Impairment (continued)

(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) **Reversals 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) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis They are derecognised from the balance sheet upon settlement of all monies due in connection with such borrowings or forgiveness by the lender of all indebtedness

(k) Dividends

Dividends are recognised in the period in which they are paid

(l) Trade and other payables

Trade and other payables are stated at cost

(m) Net financing costs

Net financing costs comprise interest income and interest payable on borrowings and are recognised in the income statement using the effective interest rate method

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

(n) 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 amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that are enacted or substantially enacted at the balance sheet date

Notes to the financial statements (continued)

2. Investment income

	2007 £	2006 £
Income from		
Available for sale investments	1,687,500	
Loans and receivables	22,479,454	24,311,020
	24,166,954	24,311,020

3. Other income

	2007 £	2006 £
Income from		
Fee income	11,450,191	3,688,731
Commission income		32,430
	11,450,191	3,721,161

4. Administration expenses

	2007 £	2006 £
Other administrative expenses	269,885	111,504

5. Other expenses

	2007 £	2006 £
Audit fees	6,464	7,462

6 Net financing costs

	2007 £	2006 £
Interest income	208,066	106,458
Financial income	208,066	106,458
Interest expense	(4,441,134)	(2,372,892)
Foreign currency loss	(975,806)	(6,184)
Financial expense	(5,416,940)	(2,379,076)
Net financing costs	(5,208,874)	(2,272,618)

Notes to the financial statements (continued)

7 Income tax expense

Recognised in the income statement

	Note	2007 £	2006 £
Current tax expense			
Current year		16,514,349	18,132,470
Adjustments for prior years		2,090,311	(2,231,199)
		18,604,660	15,901,271
Deferred tax expense			
Current year		(84,000)	
Adjustments for prior years		(1,682,655)	1,200,000
Deferred tax change in rate		117,777	
	13	(1,648,878)	1,200,000
Total income tax expense in income statement		16,955,782	17,101,271

Reconciliation of effective tax rate

	2007 £	2006 £
Profit before tax	186,315,091	59,937,456
Profit multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	55,894,527	17,981,237
Income not chargeable for corporation tax purposes	(9,455,931)	(17,319,627)
Book gains covered by capital losses/indexation/substantial shareholdings	(30,008,247)	(1,878,416)
Amounts written off fixed asset investments		19,349,276
Adjustments to tax in respect of previous periods	407,656	(1,031,199)
Impact of change in tax rate	117,777	
Total income tax expense in income statement	16,955,782	17,101,271

8. Current tax assets and liabilities

The current tax liability of £16,460,581 (2006 £17,353,560) represents the amount of income taxes payable in respect of current and prior periods that exceed receipts

Notes to the financial statements (continued)

9. Investment in associates

	£
At 1 January 2007	26,604,517
Additions	95,125,010
Disposals	(13,056,475)
At 31 December 2007	108,673,052

The Company has a portfolio of associate investments Details of the main investment in associate entities are as follows

Name of associate entity	Proportion of ownership	Issued share capital	Principal business	Incorporated	Reporting date of Financial Statements
Crest Nicholson Group Limited	45 35%	45,345,596 £0 10 Ordinary Shares	House builder	UK	31 October
Myriad Healthcare Limited	19 90%	14,999,990 £0 10 B Ordinary Shares and 11,500,000 £1 C Ordinary Share	Operation of residential care homes	UK	30 September

10. Investment in jointly controlled entities

	£
At 1 January 2007	294,478,327
Additions	117,852,248
Disposals	(56,651,717)
Amounts written off	(280,000)
At 31 December 2007	355,398,858

Notes to the financial statements (continued)

10. Investment in jointly controlled entities (continued)

The Company has a portfolio of joint venture investments Details of the main jointly controlled entities are as follows

Name of jointly controlled entity	Proportion of ownership	Issued share capital	Principal business	Incorporated	Reporting date of Financial Statements
AHG Venice Limited	50%	40,000,000 £1 ordinary shares	Hotelier	UK	31 December
Agora Max Limited	50%	25,538,535 £1 B ordinary shares	Property Investment	UK	31 March
Breezeroad Limited	50%	31,640,000 £1 B ordinary shares	Hotelier	UK	31 December
Radial Distribution Limited	50%	8,345,419 £1 B Ordinary shares	Property Investment	UK	31 March
Glebe Central Cross Limited	50%	4,999 £5 001 B ordinary shares	Property Investment	UK	31 December
Rocco Forte & Family (Luxury Hotels) Limited	50%	26,330 £1 B ordinary shares	Hotelier	UK	30 April
Agora Shopping Centres Limited	50%	7,323,013 £1 B ordinary shares	Property Investment	UK	31 March
Insight Residential Real Estate (Holdings) Limited	50%	16,099,999 £1 B ordinary shares	Property Investment	UK	31 December
Kilmartin Holdings Limited	50%	2,000 £1 B ordinary shares	Property Development and Investment	UK	30 April
PPG (Lothian) Limited	50%	3,333,333 50p A ordinary shares	Property Investment	UK	31 January

Notes to the financial statements (continued)

11. Investment in subsidiary undertakings

	£
At 1 January 2007	22,061,002
Additions	71
At 31 December 2007	22,061,073

Details of the company's subsidiaries are as follows

Name of subsidiary	Proportion of ownership	Principal business	Incorporated	Reporting date of Financial Statements
Uberior (Moorfield) Limited	100%	Investment holding company	UK	31 December
Uberior (Rodinheights) Limited	100%	Investment holding company	UK	31 December
Uberior Ventures Credential Limited	100%	Investment holding company	UK	31 December
The Mound Property Company Limited	100%	Property investment company	UK	31 December
Uberior Jersey Limited	100%	Investment holding company	UK	31 December
Uberior Europe Limited	100%	Investment holding company	UK	31 December
Uberior Real Estate Fund Limited	100%	Investment holding company	UK	31 December
Quill Securities Limited	100%	Investment holding company	UK	31 December
AAIM Turbo LLP	68%	Investment holding company	UK	31 May

12. Investments

	Loans and receivables £	Available for sale £	2007 Total £	2006 Total £
Gross investments				
Debt securities – unlisted	657,267,755		657,267,755	485,658,443
Equity shares – unlisted		45,337,419	45,337,419	18,560,053
	657,267,755	45,337,419	702,605,174	504,218,496
Less amounts written off				
Debt securities – unlisted				(50,994,261)
Equity shares – unlisted				(862,327)
				(51,856,588)
Total investments	657,267,755	45,337,419	702,605,174	452,361,908
Comprising				
Debt securities – unlisted	657,267,755		657,267,755	434,664,182
Equity shares – unlisted		45,337,419	45,337,419	17,697,726
	657,267,755	45,337,419	702,605,174	452,361,908

Notes to the financial statements (continued)

12. Investments (continued)

The movement in investments can be summarised as follows

	Loans and receivables £	Available for sale £	Total £
At 1 January 2007	434,664,182	17,697,726	452,361,908
Additions	373,392,706	29,755,711	403,148,417
Disposals	(150,789,133)	(399,019)	(151,188,152)
Changes to fair value in available for sale investments		(1,716,999)	(1,716,999)
Amounts written off			
At 31 December 2007	657,267,755	45,337,419	702,605,174

13. Deferred tax asset and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets 2007 £	2006 £	Liabilities 2007 £	2006 £	Net 2007 £	2006 £
Equity shares – available for sale			(303,797)	(840,597)	(303,797)	(840,597)
Other	1,648,878				1,648,878	
Tax assets / (liabilities)	1,648,878		(303,797)	(840,597)	1,345,081	(840,597)

Movement in temporary differences in the year

	Balance at 1 Jan 2007 £	Recognised in income £	Recognised in reserves £	Balance at 31 Dec 2007 £
Equity shares – available for sale	(840,597)		536,800	(303,797)
Other		1,648,878		1,648,878
	(840,597)	1,648,878	536,800	1,345,081

	Balance at 1 Jan 2006 £	Recognised in income £	Recognised in reserves £	Balance at 31 Dec 2006 £
Equity shares – available for sale			(840,597)	(840,597)
Debt Securities – loans and receivables	1,200,000	(1,200,000)		
	1,200,000	(1,200,000)	(840,597)	(840,597)

Notes to the financial statements (continued)

14. Trade and other receivables

	2007 £	2006 £
Other trade receivables and prepayments	3,064,369	2,749,145

15. Cash and cash equivalents

	2007 £	2006 £
Bank overdrafts	(935,310,768)	(670,824,655)
Bank deposits	4,446	2,785,919
Cash and cash equivalents in the statement of cash flows	(935,306,322)	(668,038,736)

16. 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		58,701,394	58,701,395
Total recognised income and expense			42,836,185	42,836,185
FV changes on AFS equities		2,801,989		2,801,989
Deferred tax on AFS equities		(840,597)		(840,597)
Dividends to shareholders			(68,964,000)	(68,964,000)
Balance at 31 December 2006	1	1,961,392	32,573,579	34,534,972
Balance at 1 January 2007	1	1,961,392	32,573,579	34,534,972
Total recognised income and expense			169,359,309	169,359,309
FV changes on AFS equities		(1,716,999)		(1,716,999)
Deferred tax on AFS equities		536,800		536,800
Dividends to shareholders			(144,557,000)	(144,557,000)
Balance at 31 December 2007	1	781,193	57,375,888	58,157,082

Notes to the financial statements (continued)

16. Capital and reserves (continued)

Share capital and share premium

	Ordinary shares 2007 £	2006 £
On issue at 1 January and at 31 December	1	1

At 31 December 2007, the authorised share capital comprised 1,000 (£1) Ordinary Shares (2006 1,000) All of the issued shares are fully paid

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

17. 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 19

	2007 £	2006 £
Current liabilities		
Unsecured bank facility	(64,461,901)	(43,738,325)
Debt securities in issue		(2,500,000)
	(64,461,901)	(46,238,325)

Terms and debt repayment schedule
The unsecured bank facility is payable to the company's intermediate parent undertaking, Bank of Scotland plc in 2008 The loans bear interest at a fixed rate of 4 7% and 4 63% *per annum*, payable at the end of the loan term

Debt securities in issue in 2006, which comprised loan notes issued in September 2006, have been repaid in the year

18. Trade and other payables

	2007 £	2006 £
Creditors	(74,448,625)	(53,804,571)
Accruals and deferred income	(108,808,417)	(1,170,360)
Total trade and other payables	(183,257,042)	(54,974,931)

19. 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

Notes to the financial statements (continued)

19. Financial instruments (continued)

	2007 £	2006 £
On Balance sheet		
Investments Debt securities	657,267,755	434,664,182
Trade and other receivables	3,064,369	2,749,145
Due by related undertakings	65,015,324	23,726,222
	725,347,448	461,139,549
Off balance sheet items		
Loan commitments and other credit related liabilities (see notes 20 and 21)	137,842,464	20,852,661
Total	863,189,912	481,992,210

Debt securities in issue are carried at amortised cost adopting the impairment policy described within note 1(i), exposure is concentrated amongst UK registered institutions who are primarily engaged in real estate activities Other exposures consist of 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

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

	2007 %	2006 %
Internal rating Satisfactory risk	92	100
Internal rating Viable but monitoring	5	
Internal rating High risk	3	

Market rate 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)

At the reporting date, the Company's exposure to market risk arose from all of the above

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 have both fixed interest rates and variable interest rates which respond to prevailing market rates of interest These securities are funded by financial liabilities provided by another HBOS group company One of the facilities provided is non interest bearing overdraft, the other is a fixed rate bank loan 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

Notes to the financial statements (continued)

19 Financial instruments (continued)

	2007	2006
	£	£
Impact of +25 bps shift	(25,139)	(10,750)
Impact of – 25 bps shift	25,139	10,750

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

Foreign exchange risk

Foreign exchange risk arises on investments and borrowings denominated in a currency other than Sterling The currency giving rise to this risk is 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 listed and unlisted equity shares The Company undertakes a full assessment of each entities 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 £45,337,419 (2006 £17,697,726) Changes in fair value of available for sale investments 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	2006
	AFS Reserve	AFS Reserve
	£	£
Unlisted equity investments	4,533,742	1,769,772
	4,533,742	1,769,772

Geographic exposure is predominantly within the UK

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

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

Notes to the financial statements (continued)

19. Financial instruments (continued)

As at 31 December 2007

	Up to 1 mth	1 3 mths	3 12 mths	1 5 yrs	Over 5 yrs	Total
	£	£	£	£	£	£
Bank overdrafts	935,310,768					935,310,768
Interest bearing loans and borrowings			65,980,085			65,980,085
Due to group undertakings	520,003					520,003
Trade and other payables	183,505,279					183,505,279
Total liabilities	1,119,336,050		65,980,085			1,185,316,135

As at 31 December 2006

	Up to 1 mth	1 3 mths	3 12 mths	1 5 yrs	Over 5 yrs	Total
	£	£	£	£	£	£
Bank overdrafts	670,824,655					670,824,655
Interest bearing loans and borrowings		2,553,125	44,587,942			47,141,067
Trade and other payables	55,071,846					55,071,846
Total liabilities	725,896,501	2,553,125	44,587,942			773,037,568

Fair values

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

	Note	**Carrying amount 2007**	**Fair value 2007**	**Carrying amount 2006**	**Fair value 2006**
		£	**£**	**£**	**£**
Equity securities available for sale	12	45,337,419	45,337,419	17,697,726	17,697,726
Debt securities – loans and receivables	12	657,267,755	657,267,755	434,664,182	434,664,182
Trade and other receivables	14	3,064,369	3,064,369	2,749,145	2,749,145
Amounts due by subsidiary undertakings		65,015,324	65,015,324	23,726,222	23,726,222
Bank overdraft	15	(935,310,768)	(935,310,768)	(670,824,655)	(670,824,655)
Bank deposits	15	4,446	4,446	2,785,919	2,785,919
Unsecured bank facilities	17	(64,461,901)	(64,461,901)	(43,738,325)	(43,738,325)
Debt securities in issue	17			(2,500,000)	(2,500,000)
Amounts due to group undertakings		(520,003)	(520,003)		
Trade and other payables	18	(183,257,042)	(183,257,042)	(54,974,931)	(54,974,931)
		(412,860,401)	(412,860,401)	(290,414,717)	(290,414,717)
Unrecognised (losses) / gains					

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 In summary, the valuation model will include the review of operational performance to budget, future profitability forecasts and other general operational risk indicators

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

Notes to the financial statements (continued)

19. Financial instruments (continued)

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

Interest bearing loans and borrowings
Fair value is calculated based on discounted expected future principal and interest cash flows

20. Financial Commitments

As at 31 December 2007, the Company has committed £222 5m (2006 £12 5m) as a limited partner in Real Estate funds of which £125 8m (2006 £8 9m) is undrawn

As at 31 December 2007, the Company has committed £150m (2006 £Nil) in partly paid ordinary shares, of which £130 5m is still unpaid

21 Guarantees

The Company has guaranteed £12,000,000 of loan notes issued by its subsidiary Uberior Ventures Credential Limited

Notes to the financial statements (continued)

22 Related Parties

The Company has a related party relationship with its intermediate parent company Bank of Scotland plc A number of banking transactions are entered into with Bank of Scotland plc in the normal course of business including loans and deposits

The Company also has related party relationships with its subsidiary undertakings The relationships with subsidiary undertakings have arisen due to the provision of funding to these companies

Details of the related party transactions during the year are disclosed in the table below

Nature of transaction	Related Party	Balance at 1 January 2007	Balance at 31 December 2007	Income/ expense included in income statement for the year ended 31 December 2007	2006 Comparative	Disclosure in financial statement
		£	£	£	£	
Bank overdraft	Bank of Scotland plc	670,824,655	935,310,768			Cash and cash equivalents
Bank deposit account	Bank of Scotland plc	2,785,919	4,446			Cash and cash equivalents
Term loan	Bank of Scotland plc	43,738,325	64,461,901			Interest bearing loans and borrowings
Interest receivable on bank account	Bank of Scotland plc			97,177	70,824	Financial income
Interest payable on term loan	Bank of Scotland plc			2,368,550	1,318,789	Financial expenses
Intercompany receivable	Uberior (Rodinheights) Limited	23,724,460	25,601,718			Amounts due by subsidiary undertakings
Intercompany receivable	Uberior Jersey Limited		13,663,366			Amounts due by subsidiary undertakings
Intercompany receivable	BOS (Ireland) Investments	1,762				Amounts due by subsidiary undertaking
Intercompany receivable	AAIM Turbo LLP		25,750,240			Amounts due by subsidiary undertaking
Intercompany Payable	Quill Securities Limited		1			Amounts due to group undertaking
Intercompany payable	Uberior Europe Limited		1			Amounts due to group undertaking
Intercompany payable	Uberior Real Estate Fund Limited		1			Amounts due to group undertaking
Intercompany payable	Bank of Scotland plc		520,000			Amounts due to group undertaking

Notes to the financial statements (continued)

23 Parent Undertakings

HBOS plc is the ultimate parent undertaking of Uberior Ventures 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

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

Consequently, the parent undertaking of the Company is Bank of Scotland plc and the smallest group into which the Company is consolidated are the consolidated accounts of the Bank of Scotland plc group

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE 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 judgments 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 and a Business Review

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UBERIOR VENTURES LIMITED

We have audited the financial statements of Uberior Ventures 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 27

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 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 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 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

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,
- 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

27 February 2008