UBERIOR VENTURES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2006

Company Number SC235067

Directors

H C McMillan
E J Morrison
B S Anderson
G R A Shankland
J C Moran
D K Gateley
I Robertson

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

H C McMillan	J C Moran
E J Morrison	D K Gateley
B S Anderson	I Robertson
G R A Shankland	

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

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 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

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due

Day to day management of credit risk is undertaken by specialist credit teams working within the group in compliance with policies approved by the HBOS Board Typical functions undertaken by these teams include credit sanctioning, portfolio management and management of high risk and defaulted accounts

To mitigate credit risk the Company undertakes a full credit assessment of the financial strength of each potential transaction and/or customer, 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 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 £59,937,456 (2005 £111,724,116) This represents a reduction in profit before tax of 46%

In 2006 the Company has assessed the need for an increase in impairment on investment securities In 2005 £4,400,000 was charged to the Income Statement while this year a charge of £60,497,588 has been incurred Of this

REPORT OF THE DIRECTORS (CONTINUED)

Performance (continued)

charge £55,856,588 relates to one specific investment which management consider as impaired following an assessment of its underlying performance

In addition, last year saw a higher volume of disposals of investments resulting in profits on disposal of £69,515,305 being recognised in the Income Statement This compares to £36,944,692 of profits on disposal recognised this year 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 £821,981,121 in 2006 compared to £583,982,227 in 2005 This increase is mainly due to net acquisitions of investments in jointly controlled entities of £129,055,604 and net acquisitions and fair value adjustments of debt securities and equity shares of £112,256,427 The Company also acquired two new wholly owned subsidiaries for £22,061,002 One new subsidiary, Uberior Ventures Credential Limited, also operates as an investment holding company, while The Mound Property Company Limited is a property investment company

The key performance indicator used in assessing the performance of the Company is monitoring of actual cashflows 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 10 An interim dividend of £14,956,000 was paid in June (2005 £54,543,000) A second interim dividend of £54,008,000 was paid in December (2005 £30,000,000)

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 The Governor and Company of the Bank of Scotland 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 were as follows

Director	Date of appointment
I Robertson	01 01 2006

The other Directors served throughout the year

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

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

During the year 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

	At 31 12 05 or date of appointment if later HBOS plc shares	At 31 12 06 HBOS plc shares
H C McMillan	110,321	140,411
E J Morrison	70,067	82,473
B S Anderson	7,392	10,664
G R A Shankland	18,368	38,223
J C Moran	5,193	8,213
D K Gateley	6,910	11,390
I Robertson	64,573	84,658

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

	Grant effective from	Shares as at 31 12 06
H C McMillan	March 2004	2,605
	March 2005	4,145
	March 2006	3,515
E J Morrison	March 2004	3,340
	March 2005	6,524
	March 2006	4,487
B S Anderson	March 2004	751
	March 2005	427
	March 2006	860
G R A Shankland	March 2004	2,322
	March 2005	4,254
	March 2006	4,487
J C Moran	March 2004	972
	March 2005	1,159
	March 2006	1,645
D K Gateley	March 2004	851
	March 2005	885
	March 2006	763
I Robertson	March 2004	1,603
	March 2005	5,669
	March 2006	3,332

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

	Grant effective from	At 31 12 05 or date of appointment if later	Granted (G) or lapsed (L) in year	Dividend reinvestment shares	Added as a result of performance (including on dividend reinvestment shares)	Released in year	At 31 12 06
H C McMillan	January 2003	15,625		2,425	14,981	(33,031)	
	January 2004	21,385					21,385
	January 2005	18,253					18,253
	January 2006		17,067 (G)				17,067
E J Morrison	January 2003	16,171		2,509	15,504	(34,184)	
	January 2004	21,385					21,385
	January 2005	18,253					18,253
	January 2006		17,067 (G)				17,067
G R A Shankland	January 2003	6,640		1,030	6,366	(14,036)	
	January 2004	6,973					6,973
	January 2005	10,168					10,168
	January 2006		17,067 (G)				17,067
I Robertson	January 2003	17,708		2,748	16,978	(37,434)	
	January 2004	25,104					25,104
	January 2005	21,428					21,428
	January 2006		20,481 (G)				20,481

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 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 Plan
HBOS 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

	Options outstanding At 31 12 05 or date of appointment	Granted (G), lapsed (L) or exercised (E) in year	At 31 12 06
H C McMillan	52,261	48,800 (E)	3,461
E J Morrison	32,444		32,444
B S Anderson	4,781	2,481 (E)	2,300
G R A Shankland	18,937	7,227 (E)	11,710
J C Moran	4,044	2,099 (E)	1,945
D K Gately	3,540		3,540
I Robertson	57,000	7,000 (E)	50,000

Sharesave Plan
Share options granted under these plans are set out below

	At 31 12 05	Granted (G) lapsed (L) or exercised (E) in year	At 31 12 06
H C McMillan	2,555	585 (E)	1,970
E J Morrison	2,775	280 (G)	3,055
B S Anderson	3,072	413 (G)	
		316 (E)	3,169
G R A Shankland	5,259	319 (G)	5,578
J C Moran	2,217	632 (E)	1,585
D K Gateley	5,504	168 (G)	
		1,364 (E)	4,308
I Robertson	2,933	1,581 (E)	1,352

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)

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

5th February 2007

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

Income Statement

For the year ended 31 December 2006

	Note	2006 £	2005 £
Investment income	2	24,311,020	17,975,829
Income from investment in jointly controlled entities		57,849,755	27,686,188
		82,160,775	45,662,017
Profit on disposal of investments		36,944,692	69,515,305
Amounts written off investments	9/11	(60,497,588)	(4,400,000)
Administrative expenses	4	(111,504)	(9,714)
Other income	3	3,721,161	2,337,608
Other expenses	5	(7,462)	(4,000)
Net other income		3,713,699	2,333,608
Operating profit before financing costs		62,210,074	113,101,216
Financial income	6	106,458	
Financial expenses	6	(2,379,076)	(1,377,100)
Net financing costs		(2,272,618)	(1,377,100)
Profit before tax		59,937,456	111,724,116
Income tax expense	7	(17,101,271)	(4,097,267)
Profit after tax for the year		42,836,185	107,626,849
Attributable to:			
Equity holders		42,836,185	107,626,849
Profit for the year		42,836,185	107,626,849

The notes on pages 14 to 24 form part of the financial statements

Statement of Recognised Income and Expense

For the year ended 31 December 2006

	Note	2006 £	2005 £
Change in fair value of equity securities available for sale		1,961,392	
Profit for the year		42,836,185	107,626,849
Total recognised income and expense for the year	15	44,797,577	107,626,849
Attributable to:			
Equity holders		44,797,577	107,626,849
Profit for the year		44,797,577	107,626,849

The notes on pages 14 to 24 form part of the financial statements

Balance Sheet

As at 31 December 2006

	Note	2006 £	2005 £
Assets			
Investment in jointly controlled entities	9	321,082,844	192,027,240
Investment in subsidiary undertakings	10	22,061,002	150,000
Investments	11	452,361,908	340,105,481
Deferred tax assets	12		1,200,000
Total non current assets		795,505,754	533,482,721
Trade and other receivables	13	2,749,145	25,295,802
Amounts due by subsidiary undertakings		23,726,222	25,203,704
Total current assets		26,475,367	50,499,506
Total assets		821,981,121	583,982,227
Equity			
Issued capital		1	1
Reserves		1,961,392	
Retained earnings		32,573,579	58,701,394
Total equity	15	34,534,972	58,701,395
Liabilities			
Deferred tax liabilities	12	840,597	
Total non current liabilities		840,597	
Cash and cash equivalents	14	668,038,736	439,703,852
Interest bearing loans and borrowings	16	46,238,325	45,201,036
Trade and other payables	17	54,974,931	35,849,217
Income tax payable	8	17,353,560	4,526,727
Total current liabilities		786,605,552	525,280,832
Total liabilities		787,446,149	525,280,832
Total equity and liabilities		821,981,121	583,982,227

The notes on pages 14 to 24 form part of the financial statements

Approved by the board at a meeting on 5th February 2007 and signed on its behalf by

Director

Statement of Cash Flows

For the year ended 31 December 2006

	Note	2006 £	2005 £
Cash flows from operating activities			
Operating profit		62,210,074	113,101,216
Decrease/(increase) in trade and other receivables		22,546,657	(24,405,684)
Increase in trade and other payables		18,574,314	19,726,858
Acquisition of investments		(468,672,940)	(311,873,198)
Disposal of investments		169,814,260	222,817,725
Provision against investments		60,497,588	4,400,000
Cash generated from operations		(135,030,047)	23,766,917
Interest paid		(1,821,492)	(1,377,100)
Income taxes paid		(3,073,388)	(2,436,540)
Net cash from operating activities		(139,924,927)	19,953,277
Cash flows from investing activities			
Interest received		106,458	
Decrease in amounts due from subsidiary undertakings		929,469	9,647,759
Decrease in amounts due to parent undertaking			(7,141,089)
Acquisition of subsidiary undertakings		(22,061,002)	
Net cash from investing activities		(21,025,075)	2,506,670
Cash flows from financing activities			
Increase/(decrease) in borrowings		1,579,118	(272,187)
Dividends paid		(68,964,000)	(84,543,000)
Net cash from financing activities		(67,384,882)	(84,815,187)
Decrease in cash and cash equivalents		(228,334,884)	(62,355,240)
Cash and cash equivalents at 1 January		(439,703,852)	(377,348,612)
Cash and cash equivalents at 31 December	14	(668,038,736)	(439,703,852)

Notes to the financial statements

1. Significant accounting policies

Uberior Ventures Ltd is a company domiciled in Scotland.

The financial statements were authorised for issue by the directors on 5th February 2007

(a) Statement of compliance

The 2006 statutory financial statements set out on pages 10 to 24 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs)

The standards adopted 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 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 financial instruments classified as available for sale

(c) Adopted IFRS not yet applied

IFRS 7 "Financial Instruments Disclosures" 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 sheet, income statement or cash flow statement as they are only concerned with disclosure

(d) Foreign 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 Foreign exchange differences arising on translation are recognised in the income statement

(e) Investments

Investments in jointly controlled entities

Jointly controlled entities are those which the Company has joint control under a contractual arrangement with other parties

The attributable share of results of 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 Accordingly, the Company records such investments at historic cost

Investments in debt and equity securities

Debt securities are classified as loans and receivables where there is no active market They are held on balance sheet at amortised cost with impairment losses or foreign exchange gains or losses being recognised immediately through the income statement 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

(f) Trade and other receivables

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

(g) 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 banks that are freely available

Notes to the financial statements (continued)

(h) 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 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

(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

(i) 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

(j) Dividends
Dividends are recognised in the period in which they are paid

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

(l) Expenses

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

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

(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 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 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

	2006 £	2005 £
Income from		
Available for sale investments		524,921
Loans and receivables	24,311,020	17,450,908
	24,311,020	17,975,829

3. Other income

	2006 £	2005 £
Income from		
Fee income	3,688,731	2,337,608
Commission income	32,430	
	3,721,161	2,337,608

4. Administration expenses

	2006 £	2005 £
Other administrative expenses	111,504	9,714

5. Other expenses

	2006 £	2005 £
Audit fees	7,462	4,000

6. Net financing costs

	2006 £	2005 £
Interest income	106,458	
Financial income	106,458	
Interest expense	(2,372,892)	(1,377,100)
Foreign currency loss	(6,184)	
Financial expense	(2,379,076)	(1,377,100)
Net financing costs	(2,272,618)	(1,377,100)

Notes to the financial statements (continued)

7. Income tax expense

Recognised in the income statement

	Note	2006 £	2005 £
Current tax expense			
Current year		18,132,470	5,902,164
Adjustments for prior years		(2,231,199)	(604,897)
		15,901,271	5,297,267
Deferred tax expense			
Current year	*12*		(1,200,000)
Adjustments for prior years		1,200,000	
		1,200,000	(1,200,000)
Total income tax expense in income statement		17,101,271	4,097,267

Reconciliation of effective tax rate

	2006 £	2005 £
Profit on ordinary activities before tax	59,937,456	111,724,116
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	17,981,237	33,517,235
Income not chargeable for corporation tax purposes	(17,319,627)	(9,499,196)
Book gains covered by capital losses/indexation/substantial shareholdings	(1,878,416)	(19,435,875)
Amounts written off fixed asset investments	19,349,276	120,000
Adjustments to tax in respect of previous periods	(1,031,199)	(604,897)
Total income tax expense in income statement	17,101,271	4,097,267

8. Current tax assets and liabilities

The current tax liability of £17,353,560 (2005 £4,526,727) represents the amount of income taxes payable in respect of current and prior periods that exceed receipts

9. Investment in jointly controlled entities

	£
At 1 January 2006	192,027,240
Additions	147,285,240
Disposals	(9,588,636)
Amounts written off	(8,641,000)
At 31 December 2006	321,082,844

Notes to the financial statements (continued)

9. 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 and loan capital	Principal business	Incorporated	Reporting date of Financial Statements
AHG Venice Limited	50%	40,000,000 £1 ordinary shares	Hotelier	UK	31 December
Breezeroad Limited	50%	31,640,000 £1 B ordinary shares	Hotelier	UK	30 June
Sir Rocco Forte & Family (Luxury Hotels) Limited	50%	26,330 £1 B ordinary shares	Hotelier	UK	30 April
FHR European Fund LLP	50%	Member loan to a Limited Liability Partnership, £19,874,280	Hotelier	UK	31 December
Insight Residential Real Estate Holdings Ltd	50%	16,100,000 £1 B ordinary shares	Property Investment	UK	31 December
Agora Max Limited	50%	15,650,682 £1 B ordinary shares	Property Investment	UK	31 March
PPG (Lothian) Limited	50%	3,333,333 50p A ordinary shares	Property Investment	UK	31 January

10. Investment in subsidiary undertakings

	£
At 1 January 2006	150,000
Additions	22,061,002
Disposals	(150,000)
At 31 December 2006	22,061,002

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

Notes to the financial statements (continued)

11. Investments

	Loans and receivables £	Available for sale £	2006 Total £	2005 Total £
Gross investments				
Debt securities – unlisted	485,658,443		485,658,443	342,845,128
Equity shares – unlisted		18,560,053	18,560,053	1,310,353
	485,658,443	18,560,053	504,218,496	344,155,481
Less aggregate amounts written off				
Debt securities – unlisted	(50,994,261)		(50,994,261)	(4,000,000)
Equity shares – unlisted		(862,327)	(862,327)	(50,000)
	(50,994,261)	(862,327)	(51,856,588)	(4,050,000)
Total investments	434,664,182	17,697,726	452,361,908	340,105,841
Comprising				
Debt securities – unlisted	434,664,182		434,664,182	338,845,128
Equity shares – unlisted		17,697,726	17,697,726	1,260,353
	434,664,182	17,697,726	452,361,908	340,105,481

The movement in investments can be summarised as follows·

	Loans and receivables £	Available for sale £	Total £
At 1 January 2006	338,845,128	1,260,353	340,105,481
Additions	306,889,964	14,497,736	321,387,700
Disposals	(160,076,649)	(25)	(160,076,674)
Changes to fair value in available for sale investments		2,801,989	2,801,989
Amounts written off	(50,994,261)	(862,327)	(51,856,588)
At 31 December 2006	434,664,182	17,697,726	452,361,908

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following

	Assets 2006 £	2005 £	Liabilities 2006 £	2005 £	Net 2006 £	2005 £
Equity shares – available for sale			840,597		840,597	
Debt Securities – loans and receivables		(1,200,000)				(1,200,000)
Tax (assets) / liabilities		(1,200,000)	840,597		840,597	(1,200,000)

Notes to the financial statements (continued)

12. Deferred tax assets and liablities (continued)

Movement in temporary differences in the year

	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

	Balance at 1 Jan 2005	Recognised in income	Recognised in reserves	Balance at 31 Dec 2005
	£	£	£	£
Debt Securities – loans and receivables		(1,200,000)		(1,200,000)
		(1,200,000)		(1,200,000)

13. Trade and other receivables

	2006	2005
	£	£
Other trade receivables and prepayments	2,749,145	25,295,802

14. Cash and cash equivalents

	2006	2005
	£	£
Bank overdrafts	(670,824,655)	(439,703,852)
Bank deposits	2,785,919	
Cash and cash equivalents in the statement of cash flows	(668,038,736)	(439,703,852)

15. 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 1 January 2005	1		35,617,545	35,617,546
Total recognised income and expense			107,626,849	107,626,849
Dividends to shareholders			(84,543,000)	(84,543,000)
Balance at 31 December 2005	1		58,701,394	58,701,395
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

Notes to the financial statements (continued)

15. Capital and reserves (continued)
Share capital and share premium

	Ordinary shares	
	2006	**2005**
	£	**£**
On issue at 1 January and at 31 December	1	1

At 31 December 2006, the authorised share capital comprised 1,000 (£1) Ordinary Shares (2005 1,000)

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

16. 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 18

	2006	**2005**
	£	**£**
Current liabilities		
Unsecured bank facility	(43,738,325)	(45,201,036)
Debt securities in issue	(2,500,000)	
	(46,238,325)	(45,201,036)

Terms and debt repayment schedule
The unsecured bank facility is payable to the company's intermediate parent undertaking, The Governor and Company of the Bank of Scotland in 2007 The loan bears interest at a fixed rate of 3 83% per annum, payable at the end of the loan term

Debt securities in issue comprise loan notes issued in September 2006 The loan note holders may require the Company to redeem the notes after a period of six months from the date of issue The loan notes bear interest at a fixed rate of 4 25% per annum, payable annually

17. Trade and other payables

	2006	**2005**
	£	**£**
Non trade payables and accrued expenses	(54,974,931)	(35,849,217)

18. Financial instruments

Exposure to credit and interest rate risk 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

Credit Risk
As part of the Credit risk procedures for the Company a full credit assessment of the financial strength of each potential transaction and/or customer will be undertaken and awarded an internal risk rating Internal ratings are reviewed regularly

Interest rate risk
The unsecured bank facility and bank overdraft facilities are provided by another HBOS group company with interest being charged at agreed rates within the Group

Notes to the financial statements (continued)

18. Financial instruments (continued)
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**	***2006*** **Total £**	**6 months or less £**	Effective Interest rate	*2005* Total £	6 months or less £
Unsecured bank facility*	16	3 83%	(43,738,325)	(43,738,325)	2 56%	(45,201,036)	(45,201,036)
Bank Overdrafts	14	0%	(670,824,655)	(670,824,655)	0%	(439,703,852)	(439,703,852)
Bank deposits	14	2 30%	2,785,919	2,785,919			
Debt securities in issue*	16	4 25%	(2,500,000)	(2,500,000)			

* These assets / liabilities bear interest at a fixed rate

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 Euros

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

	Note	**Carrying amount 2006 £**	**Fair value 2006 £**	**Carrying amount 2005 £**	**Fair value 2005 £**
Equity securities available for sale	11	17,697,726	17,697,726	1,260,353	1,260,353
Debt securities – loans and receivables	11	434,664,182	434,664,182	338,845,128	338,845,128
Trade and other receivables	13	2,749,145	2,749,145	25,295,802	25,295,802
Amounts due by fellow subsidiary undertakings		23,726,222	23,726,222	25,203,704	25,203,704
Bank overdraft	14	(670,824,655)	(670,824,655)	(439,703,852)	(439,703,852)
Bank deposits	14	2,785,919	2,785,919		
Unsecured bank facilities	16	(43,738,325)	(43,738,325)	(45,201,036)	(45,201,036)
Debt securities in issue	16	(2,500,000)	(2,500,000)		
Trade and other payables	17	(54,974,931)	(54,974,931)	(35,849,217)	(35,849,217)
		(290,414,717)	(290,414,717)	(130,149,118)	(130,149,118)
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

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

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

19. Financial Commitments

As at 31 December 2006, the Company was committed to invest £8 9m of loan stock in Moorfield Real Estate Fund LP Limited

Notes to the financial statements (continued)

20. Guarantees

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

21. Related Parties

The Company has a related party relationship with its intermediate parent company 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 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 2006	Balance at 31 December 2006	Income/ expense included in income statement for the year ended 31 December 2006	2005 Comparative	Disclosure in financial statement
		£	£	£	£	£
Bank overdraft	The Governor and Company of Bank of Scotland	439,703,852	670,824,655			Cash and cash equivalents
Bank deposit account	The Governor and Company of Bank of Scotland		2,785,919			Cash and cash equivalents
Term loan	The Governor and Company of Bank of Scotland	45,201,036	43,738,325			Interest bearing loans and borrowings
Interest receivable on bank account	The Governor and Company of Bank of Scotland			70,824		Financial income
Interest payable on term loan	The Governor and Company of Bank of Scotland			1,318,789	1,038,948	Financial expenses
Intercompany receivable	Uberior (Rodinheights) Limited	23,930,206	23,724,460			Amounts due by subsidiary undertakings
Intercompany receivable	Uberior (Moorfield) Limited	90,164				Amounts due by subsidiary undertakings
Intercompany receivable	Uberior Ventures 33 OBS Limited	1,183,333				Amounts due by subsidiary undertakings
Intercompany receivable	BOS (Ireland) Investments		1,762			Amounts due by subsidiary undertaking

Notes to the financial statements (continued)

22. 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

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 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 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 25

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and,
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh

27 February 2007