

Company Registration No· 03315488

PRIORITY SITES INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2006

FRIDAY



L4OUGQT6

LD7

29/06/2007

9

COMPANIES HOUSE

**Group Secretariat
The Royal Bank of Scotland Group plc
3 Princess Way
Redhill
Surrey
RH1 1NP**

CONTENTS

Page

Officers and Professional Advisers

1

Directors' Report

2

Independent Auditors' Report

5

Income Statement

7

Balance Sheet

8

Statement of Changes in Equity

9

Cash Flow Statement

10

Notes to the Financial Statements

11

PRIORITY SITES INVESTMENTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**R H Beattie
D E Cartledge
P A Lane
M Rogers
D S Sach
W Skilki (alternate to P A Lane and
J R Walker and M Rogers)
B I M Turnbull
J R Walker**

SECRETARY:

R E Fletcher

REGISTERED OFFICE:

**Waterhouse Square
138-142 Holborn
London
EC1N 2TH**

AUDITORS:

**Deloitte & Touche LLP
London**

Registered in England and Wales.

PRIORITY SITES INVESTMENTS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2006. This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246 (4) (a) of the Companies Act 1985.

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company, which is a wholly-owned subsidiary of Priority Sites Limited, is that of a property investment Company.

The Company is a member of The Royal Bank of Scotland Group plc which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's website at rbs.com.

There has been no significant changes in the business during the year.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1.

From 1 January 2006 to date the following changes have taken place:

Directors	Appointed	Resigned
K M Howell		31 August 2006
D Mapp	1 September 2006	1 June 2007
W Skilki (alternate to J R Walker)	14 November 2006	
W Skilki (alternate to P A Lane)	14 December 2006	
W Skilki (alternate to M Rogers)	19 June 2007	

PRIORITY SITES INVESTMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing their report and financial statements. The directors have chosen to prepare accounts for the company in accordance with International Financial Reporting Standards (IFRSs). Company law requires the directors to prepare such financial statements in accordance with International Financial Reporting Standards, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

USE OF FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential effects on the Company's financial performance.

Credit risk

The Company is exposed to credit risk on its financial assets relating to amounts receivable from customers. The maximum exposure to credit risk on these assets is represented by the carrying amount of each financial asset and liability in the balance sheet.

The Company does not use credit derivatives to hedge credit exposure. There has been no cumulative change in the fair value of loans and receivables attributable to changes in credit risk and there has been no change in the current year.

PRIORITY SITES INVESTMENTS LIMITED

USE OF FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity management within the Company focuses on both overall balance sheet structure and control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations

Market risk

The Company is not exposed to currency risk as all its assets and liabilities are U K based. It is exposed to fair value interest rate risk and price risk through assets and liabilities held, that could be affected by either risk

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors at the date of approval of this report confirms that

- a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b) the director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

DIRECTORS' INDEMNITIES

In terms of section 309C of the Companies Act 1985 (as amended), Mr D S Sach has been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay directors' report and financial statements before a general meeting and re-appoint of auditors annually

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors

Approved by the Board of Directors
and signed on behalf of the Board

Director
Date


2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIORITY SITES INVESTMENTS LIMITED

We have audited the financial statements of Priority Sites Investments Limited ("the Company") for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, and the related Notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the directors' report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIORITY SITES INVESTMENTS LIMITED

Basis of audit opinion (continued)

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 of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union,
- 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

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
Date *28 June 2007*

PRIORITY SITES INVESTMENTS LIMITED

INCOME STATEMENT

For the year ended 31 December 2006

	<u>Notes</u>	2006 £	2005 £
CONTINUING OPERATIONS			
Revenue	3	1,711,702	1,638,622
Administrative expenses		(71,853)	(63,555)
Change to fair value of investment assets	9	878,000	977,000
OPERATING PROFIT		<u>2,517,849</u>	<u>2,552,067</u>
Interest receivable and similar income		-	375
Finance costs	14	(900,247)	(856,982)
Net finance costs		<u>(900,247)</u>	<u>(856,607)</u>
PROFIT BEFORE TAXATION		1,617,602	1,695,460
Income tax expense	6	(206,727)	(404,226)
PROFIT FOR THE YEAR	4	<u>1,410,875</u>	<u>1,291,234</u>
Profit attributable to ordinary shareholders		<u>1,410,875</u>	<u>1,291,234</u>

PRIORITY SITES INVESTMENTS LIMITED

BALANCE SHEET


As at 31 December 2006

	<u>Notes</u>	2006	Restated 2005
		£	£
NON-CURRENT ASSETS			
Investment properties	9	18,142,741	17,264,741
		<u>18,142,741</u>	<u>17,264,741</u>
CURRENT ASSETS			
Trade and other receivables		77,978	29,853
		<u>77,978</u>	<u>29,853</u>
TOTAL ASSETS		<u>18,220,719</u>	<u>17,294,594</u>
CURRENT LIABILITIES			
Trade and other payables	10	(653,930)	(486,582)
Loans from parent undertaking	11	(11,726,679)	(11,387,832)
Bank overdraft		(19,418)	(74,118)
		<u>(12,400,027)</u>	<u>(11,948,532)</u>
NET CURRENT LIABILITIES		<u>(12,322,049)</u>	<u>(11,918,679)</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	(1,268,425)	(1,204,670)
		<u>(1,268,425)</u>	<u>(1,204,670)</u>
NET ASSETS		<u>4,552,267</u>	<u>4,141,392</u>
EQUITY			
Share capital	12	1,000	1,000
Retained earnings		4,551,267	4,140,392
TOTAL EQUITY		<u>4,552,267</u>	<u>4,141,392</u>
Equity attributable to equity holders of the parent		<u>4,552,267</u>	<u>4,141,392</u>

The financial statements on pages 7 to 19 were approved by the Board of Directors and authorised for issue on 28th June 2007

They were signed on its behalf by

Director



Date

28.6.07

PRIORITY SITES INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2006

	Share capital	Retained earnings	Total
	£	£	£
Balances at 1 January 2005 restated	1,000	3,849,158	3,850,158
Profit for the year		1,291,234	1,291,234
Dividends		(1,000,000)	(1,000,000)
Balance at 1 January 2006 restated	1,000	4,140,392	4,141,392
Profit for the year	-	1,410,875	1,410,875
Dividends		(1,000,000)	(1,000,000)
Balance at 31 December 2006	1,000	4,552,267	4,552,267

PRIORITY SITES INVESTMENTS LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2006

	<u>Note</u>	2006 £	2005 £
NET CASH FROM OPERATING ACTIVITIES	13	1,608,352	1,202,453
INVESTING ACTIVITIES			
Interest received		-	375
Interest paid		(892,499)	(856,703)
NET CASH USED IN INVESTING ACTIVITIES		<u>(892,499)</u>	<u>(856,328)</u>
FINANCING ACTIVITIES			
Dividends paid		(1,000,000)	(1,000,000)
Increase in loan from parent		338,847	579,972
NET CASH USED IN FINANCING ACTIVITIES		<u>(661,153)</u>	<u>(420,028)</u>
NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS		54,700	(73,903)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(74,118)	(215)
CASH AND CASH EQUIVALENTS IN THE CURRENT AND PRIOR YEAR CONSIST SOLELY OF BANK OVERDRAFTS		<u>(19,418)</u>	<u>(74,118)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1 GENERAL

Priority Sites Investments Limited is a Company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7	Financial instruments: Disclosures, and the related amendment to IAS 1 on capital disclosures
IFRIC 4	Determining whether an Arrangement contains a Lease

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

Details of the restatement referred to in the Balance Sheet and Statement of Changes in Equity can be found at note 17.

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, in compliance with the Companies Act 1985, except that Investment Properties are stated at their fair value.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Company's financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Interest receivable and interest payable

Interest income and expense is accrued on a time basis by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability to the asset's or liability's carrying amount.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, except in relation to differences arising from the initial recognition of goodwill.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured at fair value, amortised cost or cost as the case may be. Any resulting gain/loss, if any, is reported in the profit and loss account for the period in which it arises.

Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly-liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. REVENUE

	2006 £	2005 £
Property rental income	1,711,702	1,638,622
	<u>1,711,702</u>	<u>1,638,622</u>

4. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging

	2006 £	2005 £
Auditors' Remuneration - Audit fee	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

No director received emoluments from the Company during the period (2005 £Nil) The Company has no employees (2005 Nil) Mr K M Howell received remuneration of £33,000 (2005 £40,000) from Priority Sites Limited in respect of his services to both that Company and this Company Mr D Mapp received remuneration of £10,000 (2005 £Nil) from Priority Sites Limited in respect of his services to both that Company and this Company The other directors are employees of shareholder organisations It is impractical to determine the amount of that remuneration which relates to services to this Company

5. OPERATING LEASES

At the balance sheet date, the Company had contracted with tenants for the following future minimum lease payments

	2006 £	2005 £
Not later than one year	1,744,626	1,710,758
Later than one year and not later than five years	5,104,856	5,495,175
Later than five years	1,812,655	2,117,324
	<u>8,662,137</u>	<u>9,323,257</u>

Leases are granted on the basis of the tenants having responsibility for full repair and insurance obligation Under the terms of the leases, payments are made quarterly and in advance

PRIORITY SITES INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

6. TAXATION

Analysis of charge in the year	2006 £	2005 £
Current taxation		
Income tax charge for the year	134,002	122,875
Under/(over) provision in respect of prior periods	8,970	(2,837)
Current tax charge for the period	142,972	120,038
Deferred tax		
Charge for the year	72,725	281,351
(Over)/under-provision in respect of prior periods	(8,970)	2,837
	63,755	284,188
Tax charge	206,727	404,226

The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 30% (2005 – 30%) as follows

	2006 £	2005 £
Expected tax charge	485,280	508,638
Non-taxable items	(278,553)	(104,412)
Non-deductible items	-	-
Adjustments in respect of prior periods	-	-
Actual tax charge	206,727	404,226

7. DIVIDENDS

	2006 £	2005 £
Ordinary – £1,000 per share (2005 £1,000 per share)	1,000,000	1,000,000
Total dividends on equity shares	1,000,000	1,000,000

8. DEFERRED TAXATION

	Capital allowances £	Deferred gains £	Total £
At 1 January 2006	663,624	541,046	1,204,670
Charge to income statement	78,908	(15,153)	63,755
At 31 December 2006	742,532	525,893	1,268,425

At the balance sheet date the Company had not entered into any binding agreement to sell any of the re-valued assets

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

9. INVESTMENT PROPERTIES

Fair value of investment property	£
At 1 January 2006	17,264,741
Increase in fair value during the year	878,000
As at 31 December 2006	<u>18,142,741</u>

The fair value of the Company's investment property at 31 December 2006 has been arrived at on the basis of a valuation carried out externally by Chris Rowlands & Co on one of the properties, the remainder being completed by in-house surveyors who at that date were holding a recognised professional qualification and having post-qualification experience in the location and category of the properties concerned. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The Company has pledged all of its investment property to secure general banking facilities granted to the Group. At the balance sheet date there was no contractual obligation to sell any of the properties.

The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to £1,711,702 (2005 £1,638,622). Direct operating expenses arising on the investment property in the period amounted to £71,853 (2005 £63,555).

10. TRADE AND OTHER PAYABLES

	2006 £	2005 £
Taxation	71,881	63,015
VAT	164,594	69,700
Accruals and deferred income	417,455	353,867
	<u>653,930</u>	<u>486,582</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 15 days.

The directors consider that the carrying amount of trade payables approximates to their fair value.

PRIORITY SITES INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

11. DUE TO PARENT UNDERTAKING

Intra-group loan	2006	Restated 2005
	£	£
At 1 January	11,387,832	10,807,860
Loan movement in the year	338,847	579,972
At 31 December	<u>11,726,679</u>	<u>11,387,832</u>

The Company pays interest on an unsecured loan from its immediate parent Priority Sites Limited. The rate of interest was fixed at rates between 5.80% and 8.25% for the period.

12. CALLED UP SHARE CAPITAL

	2006	2005
	£	£
Authorised, issued and fully paid		
1000 Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

13. NOTES TO THE CASH FLOW STATEMENT

	2006	2005
	£	£
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	2,517,849	2,552,067
Increase in fair value of investment property	(878,000)	(977,000)
Increase/(decrease) in trade and other payables and loans	150,745	(248,282)
Increase in trade and other receivables	(48,125)	(2,110)
Taxation paid	(134,117)	(122,222)
Net cash from operating activities	<u>1,608,352</u>	<u>1,202,453</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

14. FINANCE COSTS

	2006 £	2005 £
Interest on late tax	573	-
Interest on Intercompany loans	899,674	856,982
Total borrowing costs	<u>900,247</u>	<u>856,982</u>

15. ULTIMATE HOLDING COMPANY

The immediate parent Company is Priority Sites Limited

The ultimate holding Company, ultimate controlling party, and the parent of the largest Group into which the Company is consolidated is The Royal Bank of Scotland Group plc, which is incorporated in Great Britain and registered in Scotland. Financial Statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ

The smallest subgroup into which the Company is consolidated has as its parent Company, The Royal Bank of Scotland plc, a Company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ

16. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events between the year end and the date of approval of the accounts which would require a change or additional disclosure in the accounts

17. DISCLOSURE OF PRIOR PERIOD ADJUSTMENT

The 2005 comparative has been restated because in accordance with IAS10 dividends paid in 2006 should not have been accounted for in 2005. The consequence of this adjustment is a £1,000,000 increase in retained earnings from 1 January 2004

The primary statements affected are

Balance Sheet

	2005 £	Restated 2005 £
Loans from parent undertaking	(12,387,832)	(11,387,832)
Retained earnings	3,140,392	4,140,392

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

DISCLOSURE OF PRIOR PERIOD ERRORS (continued)

Statement of changes in equity

	Retained earnings £
Balances at 1 January 2005	2,849,158
Balances at 1 January 2005 restated	3,849,158