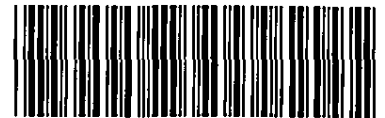


# Capital One Contracts Limited

## Report and Financial Statements

31<sup>st</sup> December 2007

WEDNESDAY



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COMPANIES HOUSE

Registered in England: Number 03503052

Registered office: 350 Euston Road,  
London, NW1 3JJ

**DIRECTORS' REPORT**

The Directors present their report and the financial statements of Capital One Contracts Limited ('the Company') for the year ended 31<sup>st</sup> December 2007

**Principal activity and review of business**

The principal activity of the Company was the sourcing and purchase of services and materials for a number of group companies. The Company ceased trading on 31<sup>st</sup> December 2006 and hence the financial statements have been prepared on a break up basis

**Results and dividends**

The profit for the year, after taxation, amounted to £180,000 (2006 £940,000). The Directors do not recommend payment of a dividend on the ordinary share (2006 £nil)

**Directors**

The Directors who served in the year were as follows

LP Ebert (resigned on 30<sup>th</sup> April 2007)

BT Cole

KM Hogarth (appointed on 21<sup>st</sup> September 2007)

**Directors' interests**


At no point during the year or the prior year did any Director have any beneficial interest in the share capital of the Company. None of the Directors received any remuneration from the Company (2006 £nil). One Director exercised share options in Capital One Financial Corporation, the ultimate parent undertaking, in the year (2006 nil)

**Directors' liability**

The Capital One Group has indemnified one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the year

**Disclosure of information to the auditors**

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

**Signed by order of the Board**

VG Mitchell,  
Secretary,  
17 June 2008

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CAPITAL ONE CONTRACTS LIMITED**

We have audited the Company's financial statements for the year ended 31<sup>st</sup> December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 11, which have been prepared under the accounting bases and policies set out in note 1. These financial statements have been prepared on a break up basis.

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 financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CAPITAL ONE CONTRACTS LIMITED (continued)**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31<sup>st</sup> 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

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London  
10 June 2008

**PROFIT AND LOSS ACCOUNT**For the year ended 31<sup>st</sup> December 2007

	Notes	Year ended 31 <sup>st</sup> December 2007 £'000	Year ended 31 <sup>st</sup> December 2006 £'000
<b>TURNOVER</b>		-	1,162
Cost of sales		-	485
<b>GROSS PROFIT</b>		-	1,647
Other operating expenses		(4)	(7)
<b>OPERATING (LOSS) / PROFIT</b>	2	(4)	1,640
Interest receivable	3	392	124
Interest payable and similar charges	4	(131)	(421)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		257	1,343
Tax charge on profit on ordinary activities	5	(77)	(403)
<b>RETAINED PROFIT FOR THE YEAR</b>		180	940

All activity in the year and prior year relates to discontinued operations

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**For the year ended 31<sup>st</sup> December 2007

There were no recognised gains or losses other than the profit for the year of £180,000 (2006 £940,000)

**BALANCE SHEET**As at 31<sup>st</sup> December 2007

	Notes	2007 £'000	2006 £'000
<b>CURRENT ASSETS</b>			
Debtors	6	7,012	6,526
Cash at bank		9	67
		<u>7,021</u>	<u>6,593</u>
<b>CURRENT LIABILITIES</b>			
Creditors amounts falling due within one year	7	(2,298)	(2,050)
		<u>4,723</u>	<u>4,543</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>4,723</u>	<u>4,543</u>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	-	-
Share premium account	9	1	1
Profit and loss account	9	4,722	4,542
		<u>4,723</u>	<u>4,543</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
		<u>4,723</u>	<u>4,543</u>

These financial statements were approved by the Board of Directors on 17 June 2008 and signed on its behalf by



**BT Cole**  
**Director**

**NOTES TO THE FINANCIAL STATEMENTS**As at 31<sup>st</sup> December 2007**1. ACCOUNTING POLICIES**

A summary of the principal accounting policies, which have been applied consistently throughout the year, is set out below

**Accounting convention**

The financial statements have been prepared on a break up basis, and in accordance with applicable accounting standards. Preparation on a break up basis has had no financial impact on these financial statements. A cash flow statement has not been included in these financial statements as allowed by Financial Reporting Standard ('FRS') 1 (revised 1996), Cash Flow Statements. A consolidated cash flow statement is included in the consolidated financial statements of the ultimate parent company.

**Turnover and cost of sales**

Profit on long-term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Revenues derived from variations in contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2. OPERATING (LOSS) / PROFIT**

	2007 £'000	2006 £'000
This is stated after charging		
Auditors' remuneration audit fees	<u>5</u>	<u>6</u>

There were no employees during the year (2006 nil)

**3. INTEREST RECEIVABLE**

	2007 £'000	2006 £'000
Bank interest receivable	1	1
Interest receivable from other group undertakings	391	80
Other interest receivable and similar income	-	43
	<u>392</u>	<u>124</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**As at 31<sup>st</sup> December 2007**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2007 £'000	2006 £'000
Interest payable to other group undertakings	80	421
Other interest payable and similar charges	51	-
	<u>131</u>	<u>421</u>

**5. TAX ON LOSS ON ORDINARY ACTIVITIES****UK corporation tax**

	2007 £'000	2006 £'000
Total current tax		
Tax charge	<u>(77)</u>	<u>(403)</u>

**Factors affecting current tax**

The tax charge for the year is based upon the standard UK corporation tax rate of 30% (2006 30%)  
There is no difference between the tax assessed for the year and the standard rate of corporation tax in the UK

Group relief on UK corporation tax is available from other group undertakings for which payment is made at a rate equivalent to the standard UK corporation tax rate of 30% (2006 30%) for each £1 claimed

**6. DEBTORS**

	2007 £'000	2006 £'000
Amounts due from group undertakings	7,011	6,495
Other taxes	1	31
	<u>7,012</u>	<u>6,526</u>

**7. CREDITORS: amounts falling due within one year**

	2007 £'000	2006 £'000
Amounts owed to group undertakings	1,818	1,661
Corporation tax	480	389
	<u>2,298</u>	<u>2,050</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**As at 31<sup>st</sup> December 2007**8. CALLED UP SHARE CAPITAL**

	2007 £	2006 £
<b>Authorised</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

**9. MOVEMENT IN RESERVES AND SHAREHOLDERS' FUNDS**

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
As at 1 <sup>st</sup> January 2006	-	1	3,602	3,603
Profit for the year	-	-	940	940
As at 31 <sup>st</sup> December 2006	-	1	4,542	4,543
Profit for the year	-	-	180	180
As at 31 <sup>st</sup> December 2007	-	1	4,722	4,723

**10. RELATED PARTIES**

In accordance with Financial Reporting Standard 8, the company is exempt from the requirement to disclose transactions with related parties on the grounds that it is a wholly owned subsidiary of a group for which consolidated financial statements are prepared and are publicly available (Note 11)

**11. PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's immediate parent company and immediate controlling party is Capital One Services, Inc, a company incorporated in the United States of America. The Company's ultimate parent company and ultimate controlling party is Capital One Financial Corporation, which is incorporated in the United States of America. The consolidated financial statements of Capital One Financial Corporation, which include the Company, are available from the Company's registered office.