

COFUNDS LEASING LIMITED

FINANCIAL STATEMENTS

**FOR THE YEAR TO
31 DECEMBER 2006**

Registered Number: 4022744

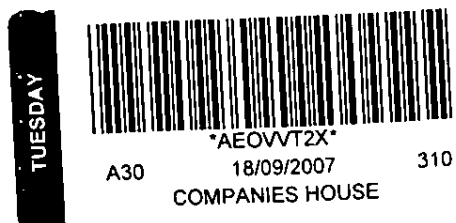


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Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activity and review of business

The Company's principal activity during the year was the provision of assets, on rental to the Cofunds Group

The Company's profit for the year is £285k (2005. £38k) During the year, no interim dividend was paid and no final dividend is proposed

Research and development

The Cofunds Group customer proposition has been enhanced following the full launch of the Legal & General Portfolio Bond in January 2006 This was followed by an open architecture pension product in the Spring of 2006 In December 2006, natural income was also introduced Development of assets to support the Cofunds platform is integral to the continued success of the business

Future outlook

The Cofunds Group expects to maintain it's position as a leading platform although existing competitors and new market entrants will mean competition will remain strong.

Principal risks and uncertainties

The management of the business and the execution of the company's strategies are subject to a number of risks Key business risks and uncertainties affecting the company are considered to relate to competition from other platforms and product development

Key performance indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Cofunds Leasing Limited

Directors

The Directors who held office during the year ended 31 December 2006, their beneficial interests and those of their families in the share capital of the ultimate parent company, Cofunds Holdings Limited, were as follows

	Appointed	Resigned	Beneficial interests "B" Common Shares of 1p each (Number)		Beneficial interests "G" Common Shares of 0.1p each (Number)	
			2006	2005	2006	2005
A Creak			388,889	388,889	5,499,461	-
S Johnson	16 March 2006		97,222	97,222	2,199,784	-
A Harris			-	-	3,299,676	-
I Harris			-	-	2,199,784	-

No Directors who were appointed to office subsequent to 31 December 2006

Company Secretary

A Craig was the Company secretary throughout 2006

Payments to Suppliers

The Company agrees payment terms with its suppliers when it enters into contracts for the supply of services. If terms are not specified standard monthly terms are applied. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Donations

The Company made no charitable or political donations during the year.

Statement of Directors' Responsibility

Company law requires the Directors to prepare financial statements for each financial year, that 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 year.

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.

Cofunds Leasing Limited

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping proper accounting records that 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.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. The Company has previously dispensed with the annual reappointment of the auditors.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved

- ☐ so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- ☐ he has taken all the steps that ought to be taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234z of the Companies Act 1985

By Order of the Board,



A Craig
Secretary

3 April 2007

1st Floor
1 Minster Court
Mincing Lane
London EC3R 7AA

Independent auditors' report to the members of Cofunds Leasing Limited

We have audited the financial statements of Cofunds Leasing Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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

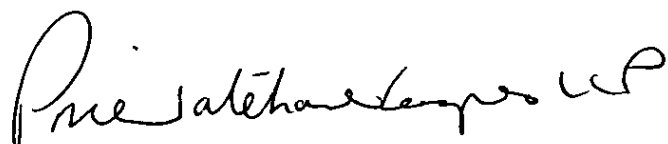
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 United Kingdom Generally Accepted Accounting Practice, 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



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

3 April 2007

Profit and Loss Account
For the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Turnover	3	2,820	2,447
Operating Expenses		<u>(2,663)</u>	<u>(2,363)</u>
Operating Profit		157	84
Interest Receivable		<u>6</u>	<u>6</u>
Profit on Ordinary Activities Before Taxation	5	163	90
Taxation on Profit on Ordinary Activities	6	<u>122</u>	<u>(52)</u>
Profit on Ordinary Activities After Taxation		285	38
Dividends		<u>-</u>	<u>-</u>
Retained Profit for the Financial Year		<u>285</u>	<u>38</u>

Other than the retained profit for the financial year, there were no other recognised gains or losses

All amounts relate to continuing operations

There is no difference between the profit on ordinary activities before taxation and after taxation for the year stated above and their historical cost equivalents

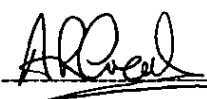
The notes on pages 9 to 13 form part of these financial statements

Balance Sheet
As at 31 December, 2006

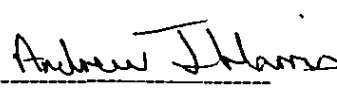
	Note	2006 £'000	2005 £'000
Fixed Assets			
Tangible Fixed Assets	7	<u>3,336</u>	<u>4,536</u>
Current Assets			
Debtors	8	748	1,371
Cash at Bank		<u>7</u>	<u>2</u>
		755	1,373
Current Liabilities			
Creditors amounts falling due within one year	9	<u>(3,408)</u>	<u>(5,511)</u>
Net Current Liabilities		<u>(2,653)</u>	<u>(4,138)</u>
Net Assets		<u>683</u>	<u>398</u>
Capital and Reserves			
Share Capital	11	-	-
Profit and Loss Account	12	<u>683</u>	<u>398</u>
Equity Shareholders' Funds		<u>683</u>	<u>398</u>

The notes on pages 9 to 13 form part of these financial statements

The financial statements on pages 7 to 13 were approved by the board of Directors on 3 April 2007 and were signed on its behalf by


A Creak

Director


A Harris

Director

Notes to the Financial Statements

1. Accounting Policies

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and the applicable accounting standards in the United Kingdom. The financial statements have been prepared under the going concern assumption.

(b) Depreciation

Tangible assets are depreciated at rates estimated to write down the relevant assets over their useful economic lives, which are estimated to be:

Furniture and fittings	3 years
Furniture and fittings acquired under property lease	5 years
Information Technology	3 years

(c) Deferred Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. A deferred tax asset is only recognised where, on the basis of all available evidence, it is more likely than not that there will be taxable profits from which it can be recovered. Deferred tax assets and liabilities recognised have not been discounted.

(d) Software Development Expenditure

The costs associated with the development of third party computer software are capitalised and depreciated where it is proven that an asset has been created.

2. Cash Flow Statement and Related Party Disclosures

The Company is a wholly-owned subsidiary of Cofunds Holdings Limited and is included in the consolidated financial statements of Cofunds Holdings Limited. The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1. The company has also taken advantage of the exemption under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Cofunds Holdings Limited group.

3. Turnover

Turnover is derived from fixed asset rental income.

4. Employee Information and Directors' emoluments

The company does not have any employees. The Directors received no emoluments for their services as Directors of the company during the year.

5. Profit on Ordinary Activities Before Taxation

The profit on ordinary activities is stated after charging

	2006 £'000	2005 £'000
Audit fee – current year	35	40
Audit fee – prior year	-	15
(Profit) on disposal of fixed assets	-	(4)
Depreciation	<u>2,628</u>	<u>2,309</u>

6. Taxation

Analysis of Charge in the Period

	2006 £'000	2005 £'000
Current tax		
UK consortium relief on the losses	-	(286)
Adjustment to prior year	<u>11</u>	<u>17</u>
Current tax charge / (credit) for the year	11	(269)
Deferred tax		
Origination and reversal of timing differences	(132)	277
Adjustment to prior year	<u>(1)</u>	<u>44</u>
Tax on profit on ordinary activities	<u>(122)</u>	<u>52</u>

Factors Affecting the Tax Charge for the Period

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	163	90
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	49	27
Effects of		
Depreciation in excess of capital allowances	290	(660)
Tax losses not utilised carried forward	-	347
Utilisation of b/f losses	(339)	
Adjustment to prior year	<u>11</u>	<u>17</u>
Current tax (credit) / charge for the period	<u>11</u>	<u>(269)</u>

7. Tangible Fixed Assets

	Furniture & Fittings £'000	Computer Hardware £'000	Computer Software £'000	Total £'000
Cost				
At 1 January 2006	66	1,943	6,718	8,727
Acquisitions	-	-	1,428	1,428
At 31 December 2006	<u>66</u>	<u>1,943</u>	<u>8,146</u>	<u>10,155</u>
Depreciation				
At 1 January 2006	63	1,576	2,552	4,191
Charge for year	2	217	2,409	2,628
At 31 December 2006	<u>65</u>	<u>1,793</u>	<u>4,961</u>	<u>6,819</u>
Net book value				
At 31 December 2006	<u>1</u>	<u>150</u>	<u>3,185</u>	<u>3,336</u>
At 31 December 2005	<u>3</u>	<u>367</u>	<u>4,166</u>	<u>4,536</u>

8. Debtors: Amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed by group undertakings	513	1,060
Trade Debtors	1	-
Consortium relief receivable	-	208
Deferred tax (note 10)	-	101
Other	-	2
	<u>514</u>	<u>1,371</u>
Debtors due after more than one year		
Deferred tax (note 10)	234	-
	<u>748</u>	<u>1,371</u>

9. Creditors: Amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to group undertakings	3,375	5,473
Accruals and deferred income	33	38
	<u>3,408</u>	<u>5,511</u>

10. Deferred Tax

Included in debtors is deferred tax of

	2006 £'000	2005 £'000
Asset at 1 January	101	422
Adjustment to prior year	1	(44)
Debit / (Credit) for the year	132	(277)
Asset at 31 December	<u>234</u>	<u>101</u>

A deferred tax asset has been recognised where it is anticipated that future tax losses, arising from the underlying timing differences, can be surrendered to the parent company's consortium partners

11. Share Capital

	2006 £	2005 £
Authorised 1,000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and Fully Paid 1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

12. Reserves

	2006 £'000	2005 £'000
Profit and Loss Account		
At 1 January	398	360
Retained profit for the year	<u>285</u>	<u>38</u>
At 31 December	<u>683</u>	<u>398</u>

13. Reconciliation of Movements in Shareholders' Funds

	2006 £'000	2005 £'000
Profit attributable to shareholders	<u>285</u>	<u>38</u>
Net increase in shareholders' funds	285	38
Opening shareholders' funds	<u>398</u>	<u>360</u>
Closing shareholders' funds	<u>683</u>	<u>398</u>

14. Ultimate Parent Company

The ultimate parent company, also being the largest and smallest group in which the results of the company are consolidated, is Cofunds Holdings Limited, registered in England and Wales

The consolidated accounts of Cofunds Holdings Limited may be obtained from 1st Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA

