

AEGON UK DISTRIBUTION HOLDINGS LIMITED

REGISTRATION NUMBER 4475386

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

THURSDAY



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AEGON UK DISTRIBUTION HOLDINGS LIMITED

COMPANY INFORMATION

Directors
Peter G Dorman
Graham W Dumble, FFA
Mark Laidlaw, BSc, FFA
Otto Thoresen, MA, FFA

Secretary
Ian G Young, MA, LLB

Company Number
4475386

Registered Office
90 Long Acre
London
WC2E 9TF

Auditors
Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

AEGON UK DISTRIBUTION HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

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

Structure of these Accounts

The financial statements have been prepared in accordance with Schedule 4 of the Companies Act 1985 and in accordance with applicable accounting standards

Principal Activity

The company acts as a direct or indirect investment holding company for financial services businesses. The principal subsidiary companies are listed in note 8 to these financial statements

In accordance with section 228 of the Companies Act 1985, consolidated group accounts are not presented

Review of business and future developments

The Company acts as an investment holding company. The major investments of the company are in AEGON Benefit Solutions Limited and Tenet Group plc, and the main key performance indicators relate to the performance of these underlying businesses. Over the longer term, performance of the underlying businesses is the key driver of the results presented in the accounts of the Company. The Directors consider the performance of these underlying businesses to be satisfactory

Results and Dividends

The results for the period are set out on page 7

The Directors recommend that no dividend is paid (2005 nil) and that the loss on the Profit and Loss Account is carried forward to reserves

Directors and their Interests

The current Directors of the company are shown on page 1

Roy Patrick resigned as Director on 28 April 2006 and Keith G Barker resigned as Director on 18 August 2006

The Directors have declared that they had no interest in the share capital of the company in the year to 31 December 2006

Each of the current Directors has been granted a qualifying third party indemnity by the Company, in terms of sections 309A and B of the Companies Act 1985 and these indemnities remain in force

Financial Instruments

The Company is not directly exposed to significant risks arising from financial instruments

Auditors

An elective resolution was passed on 18 December 2002 to (a) dispense with the requirement to lay the Report and Accounts before the Company in the general meeting, (b) to dispense with the holding of an Annual General Meeting for 2002 and subsequent years, and (c) the obligation to appoint auditors annually

AEGON UK DISTRIBUTION HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**

Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware, and each Director has taken all steps that he ought to have taken as Director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information

This report was approved by the Board on

9/7/07

and signed on its behalf by

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Ian G Young, MA, LLB
Secretary



AEGON UK DISTRIBUTION HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the 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 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,
- 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 enable them to ensure that the financial statements comply with the provisions of 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.

AEGON UK DISTRIBUTION HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AEGON UK DISTRIBUTION HOLDINGS LIMITED

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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 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 Annual Report and 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 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 judgements 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.

AEGON UK DISTRIBUTION HOLDINGS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AEGON UK DISTRIBUTION HOLDINGS LIMITED**

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 loss 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
Edinburgh**

9 July 2007

AEGON UK DISTRIBUTION HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	<u>Notes</u>	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Other operating income	3	-	16
Income from investments	4	883	10
Interest receivable and similar income	5	203	238
Amount written off investments	8	(795)	(26,408)
Amount written off loans	9	-	(4,795)
Interest payable and similar charges	6	<u>(3)</u>	<u>(44)</u>
Profit/ (loss) on ordinary activities before taxation		288	(30,983)
Tax on profit / (loss) on ordinary activities	7	<u>(326)</u>	<u>(47)</u>
Loss for the year		<u><u>(38)</u></u>	<u><u>(31,030)</u></u>

There are no recognised gains or losses other than the loss for the above financial year

The loss for the year relates wholly to continuing activities

The notes on pages 9 to 14 form an integral part of these financial statements.

AEGON UK DISTRIBUTION HOLDINGS LIMITED

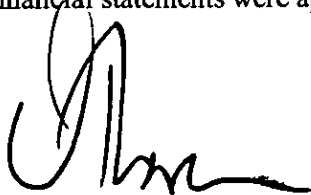
BALANCE SHEET AS AT 31 DECEMBER 2006

		<u>2006</u>	<u>2005</u>
	<u>Notes</u>	<u>£000's</u>	<u>£000's</u>
Fixed Assets			
Investments	8	14,851	17,464
Current Assets			
Debtors	9	5,772	3,086
Cash at bank and in hand		71	21
		<u>5,843</u>	<u>3,107</u>
Creditors: amounts falling due within one year	10	<u>(1,119)</u>	<u>(2,458)</u>
Net Current Assets		4,724	649
		<u>19,575</u>	<u>18,113</u>
Capital and Reserves			
Called up share capital	11	5,000	5,000
Capital contribution	12	53,375	51,875
Profit and loss account	12	<u>(38,800)</u>	<u>(38,762)</u>
Equity Shareholders' Funds	12	<u>19,575</u>	<u>18,113</u>

The financial statements were approved by the Board on

9/7/07.

and signed on its behalf by



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Otto Thoresen, MA, FFA
Chairman

The notes on pages 9 to 14 form an integral part of these financial statements.

AEGON UK DISTRIBUTION HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. Accounting Policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. As permitted by section 228 of the Companies Act 1985, the company is exempt from the requirement to prepare Group accounts.

1.2. Cash flow statement

No cash flow statement has been prepared under Financial Reporting Standard 1 (revised 1996) since the results of the company are consolidated in the financial statements of AEGON NV, the ultimate parent undertaking, which are publicly available.

1.3. Investments

Unlisted Investments are stated at the lower of cost and net realisable value. Listed Investments are stated at the lower of cost and market value.

1.4. Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Administrative expenses

No directors' fees are paid by the company. The audit fees have been borne by AEGON UK plc.

3. Other operating income

	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Expenses recharged to immediate parent undertaking	-	16

4. Income from investments

	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Profit on disposal of unlisted investments	883	-
Income from unlisted investments	-	10
	<u>883</u>	<u>10</u>

AEGON UK DISTRIBUTION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

5. Interest receivable and similar income	<u>2006</u>	<u>2005</u>
	<u>£000's</u>	<u>£000's</u>
Interest from group companies	185	238
Other interest	18	-
	<u>203</u>	<u>238</u>
6. Interest payable and similar charges	<u>2006</u>	<u>2005</u>
	<u>£000's</u>	<u>£000's</u>
On loan notes	3	44
	<u>3</u>	<u>44</u>
7. Taxation		
(a) Analysis of tax charge in the period	<u>2006</u>	<u>2005</u>
	<u>£000's</u>	<u>£000's</u>
<u>UK Current Tax</u>		
UK Corporation Tax charge on loss for the period	326	63
Adjustment in respect of prior period	-	(16)
Total current tax charge	<u>326</u>	<u>47</u>
(b) Factors affecting tax charge for the period:	<u>2006</u>	<u>2005</u>
	<u>£000's</u>	<u>£000's</u>
Company profit / (loss) on ordinary activities before tax	<u>288</u>	<u>(30,983)</u>
Tax at 30% (2005 - 30%)	86	(9,295)
Adjustment relating to prior years' corporation tax	-	(16)
Write down of investments	239	7,922
Write down of loans	-	1,439
Group interest write down	67	-
Non taxable income	(66)	(3)
Total current tax charge	<u>326</u>	<u>47</u>

AEGON UK DISTRIBUTION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

8. Investments	<u>Associated</u> <u>Undertakings</u> <u>£000's</u>	<u>Subsidiary</u> <u>Undertakings</u> <u>£000's</u>	<u>Listed</u> <u>Investments</u> <u>£000's</u>	<u>Unlisted</u> <u>Investments</u> <u>£000's</u>	<u>Total</u> <u>£000's</u>
Cost					
At 1 January 2006	10,605	29,243	10,135	1,818	51,801
Disposals	-	-	-	(1,818)	(1,818)
At 31 December 2006	<u>10,605</u>	<u>29,243</u>	<u>10,135</u>	<u>-</u>	<u>49,983</u>
Provisions for diminution in value:					
1 January 2006	-	25,610	8,727	-	34,337
Movement	-	-	795	-	795
At 31 December 2006	<u>-</u>	<u>25,610</u>	<u>9,522</u>	<u>-</u>	<u>35,132</u>
Net book values					
At 31 December 2006	<u>10,605</u>	<u>3,633</u>	<u>613</u>	<u>-</u>	<u>14,851</u>
At 31 December 2005	<u>10,605</u>	<u>3,633</u>	<u>1,408</u>	<u>1,818</u>	<u>17,464</u>

The movement in the provision for diminution in value of £0.8m above, comprises an amount written off investments

AEGON UK DISTRIBUTION HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

Subsidiaries

At 31 December 2006 the Company held 100% of the shares in the following principal subsidiaries. The undertakings have only one class of share. An asterisk (*) indicates holdings not directly held by the Company.

Name	Holding	Principal Activity	Registered
AEGON Benefit Solutions Limited	100%	Employee Benefit Management Services	England
Elliott Bayley Holdings Limited	100%	Holding Company	England
Elliott Bayley Financial Services Limited *	100%	Non trading	England
Aurora Financial Group Limited	100%	Non trading	England
Origen Limited	100%	Service Company	Scotland

Associates

At 31 December 2006 the Company held interests in the following associate. Tenet Group Limited has both 'A' and 'B' Ordinary shares, the Company held 'B' Ordinary shares. Tenet Group Limited has a reporting period ended 30 September 2006.

Tenet Group Limited	19.51%	Independent Financial Advisers	England
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AEGON UK DISTRIBUTION HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

9. Debtors	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Amounts due from group undertakings	10,566	7,881
Amounts provided against loans	(4,795)	(4,795)
VAT recoverable	1	-
	<u>5,772</u>	<u>3,086</u>

Amounts due from other group undertakings in 2006 included £5,725,000 which represented a loan facility to AEGON Benefit Solutions Limited and £4,795,000 which represented a loan facility to Origen Limited. The interest rate is calculated on an annual or 6 month LIBOR basis for these loans. A provision of £4,795,000 has been made on the loan to Origen Limited.

10. Creditors: amounts falling due within one year	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Loan notes	77	77
Amounts owed to immediate parent undertaking	648	2,314
Income tax payable	5	4
Group relief payable	389	63
	<u>1,119</u>	<u>2,458</u>

The loan notes pay an interest rate of 1% below the base rate of Barclays Bank plc and are redeemable on 30 April 2010 or on demand.

11. Share capital	<u>2006</u> <u>£000's</u>	<u>2005</u> <u>£000's</u>
Authorised equity		
100,000,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
5,000,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

AEGON UK DISTRIBUTION HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

12. Reconciliation of shareholders' funds and movement on reserves

	<u>Capital Contribution</u> £000's	<u>Share Capital</u> £000's	<u>Profit and Loss Account</u> £000's	<u>Total Shareholders Funds</u> £000's
At 1 January 2006	51,875	5,000	(38,762)	18,113
Movement in the period	1,500	-	(38)	1,462
At 31 December 2006	53,375	5,000	(38,800)	19,575

The company received capital contributions totalling £1 5m in July 2006 from AEGON UK plc to fund investments

13. Related party transactions

In accordance with the exemption granted under Financial Reporting Standard 8, Related Party Disclosures, the company does not disclose transactions with other group companies and investees of the group qualifying as related parties

14. Parent company support

The Company has given a letter of support which confirms that the Company will continue to provide financial support to AEGON Benefit Solutions Limited (a subsidiary of that Company) for a period of at least 12 months from the date of approval of the balance sheet of that subsidiary company.

The Company has given a letter of support which confirms that the Company will continue to provide financial support to Origen Limited (a subsidiary of the Company) for a period of at least 12 months from the date of approval of the balance sheet of that subsidiary company

15. Immediate parent undertaking

The immediate parent company is AEGON UK plc which is registered in England. Copies of AEGON UK plc accounts are available from the Company Secretary, AEGON UK plc, AEGON Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SE

16. Ultimate parent undertaking

The ultimate parent company is AEGON NV, which is incorporated in the Netherlands. The group accounts of AEGON NV are available from the Company Secretary, AEGON UK plc, AEGON Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SE