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**FORTIS CAPITAL COMPANY LIMITED**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2006**

# **FORTIS CAPITAL COMPANY LIMITED**

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## **REPORT OF THE DIRECTORS**

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

### **INCORPORATION**

The Company is incorporated in Jersey, Channel Islands.

### **ACTIVITIES**

The principal activity of the Company is the provision of finance to group companies of Fortis Bank Nederland (Holding) N.V.

### **RESULTS AND DIVIDENDS**

The loss for the year amounted to € 16,161,875 (2005 loss: € 4,078,391).

The Directors do not recommend a dividend for the year (2005:€ nil).

### **DIRECTORS**

The Directors who held office during the year and subsequently were:-

M. Baise  
J.A.J. Chapman (resigned 13th April 2006)  
J.G. Stokkel  
L. De Bruine (resigned 17th January 2006)  
P.D. Martin  
H.C. Grant  
G.P. Essex-Cater  
J.F. van Wijck (appointed 31st March 2006)  
W.G. Foster (appointed 13th April 2006)

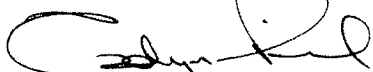
### **INDEPENDENT AUDITORS**

KPMG Channel Islands Limited have expressed their willingness to continue in office, and a resolution to reappoint them will be proposed at the next Annual General Meeting.

### **REGISTERED OFFICE**

22 Grenville Street  
St. Helier  
Jersey  
Channel Islands  
JE4 8PX

### **BY ORDER OF THE BOARD**



Authorised Signatory

**Mourant & Co. Secretaries Limited**

Secretary

Date: 20/04/07

## **FORTIS CAPITAL COMPANY LIMITED**

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### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable Jersey law and International Financial Reporting Standards.

Jersey Company law requires the Directors to prepare financial statements for each financial year, which 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 these 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 that 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 Companies (Jersey) Law 1991. 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.



KPMG Channel Islands Limited

P.O. Box 453

St Helier

Jersey JE4 8WQ

Channel Islands

5 St Andrew's Place

Charing Cross, St Helier

Jersey JE4 8WQ

Channel Islands

## **Independent auditors' report to the members of Fortis Capital Company Limited**

We have audited the financial statements of Fortis Capital Company Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity 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 Article 110 of the Companies (Jersey) Law 1991. 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**

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with the 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 (Jersey) Law 1991. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report accompanying the financial statements 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.



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## **Independent auditors' report to the members of**

### **Fortis Capital Company Limited - continued**

#### **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, in accordance with International Financial Reporting Standards, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

*KPMG Channel Islands Limited*

*Chartered Accountants*

*20 APRIL 2007*



## **FORTIS CAPITAL COMPANY LIMITED**

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### **INCOME STATEMENT**

**FOR THE YEAR ENDED 31ST DECEMBER 2006**

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
<b>INCOME:</b>			
Deposit interest income		360,431	245,917
Investment income	2	22,103,188	19,281,156
Swap agreement income	3	28,125,000	28,125,000
		<hr/>	<hr/>
		50,588,619	47,652,073
		<hr/>	<hr/>
<b>EXPENDITURE:</b>			
Interest expense on Preference Shares	8	28,125,000	28,125,000
Amortisation of issue costs on Preference Shares	8	835,296	835,296
Loan interest expense		227,385	283,958
Mourant & Co. - Administration fees		36,346	34,944
Mourant & Co. - Management fee		1,458	1,467
Professional fees		( 11,717)	19,941
Listing fees		10,672	10,607
Audit fees - current year		14,134	12,902
Directors fees		2,916	2,935
Annual filing fee		220	220
Exempt company fee	11	878	881
Bank charges		934	880
Swap agreement payments	3	20,111,150	17,442,300
Loss on exchange		1,116	602
Loss on revaluation of Swap Agreement		17,394,646	4,958,531
Sundry expenses		60	-
		<hr/>	<hr/>
		66,750,494	51,730,464
		<hr/>	<hr/>
<b>LOSS FOR THE YEAR</b>		<b>€ ( 16,161,875)</b>	<b>€ ( 4,078,391)</b>
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*(The notes on pages 9 to 17 form part of these financial statements)*

**FORTIS CAPITAL COMPANY LIMITED**

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**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31ST DECEMBER 2006**

	<u>Share Capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1st January 2006	22,511	30,477,499	28,161,287	58,661,297
Loss for the year	-	-	(16,161,875)	(16,161,875)
Balance at 31st December 2006	<u>€ 22,511</u>	<u>€ 30,477,499</u>	<u>€ 11,999,412</u>	<u>€ 42,499,422</u>
Balance at 1st January 2005	22,511	30,477,499	32,239,678	62,739,688
Loss for the year	-	-	(4,078,391)	(4,078,391)
Balance at 31st December 2005	<u>€ 22,511</u>	<u>€ 30,477,499</u>	<u>€ 28,161,287</u>	<u>€ 58,661,297</u>

*(The notes on pages 9 to 17 form part of these financial statements)*

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## **FORTIS CAPITAL COMPANY LIMITED**

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### **CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31ST DECEMBER 2006**

	<u>Note</u>	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities</b>			
Loss for the year		(16,161,875)	(4,078,391)
(Increase)/decrease in trade and other receivables		(3,572,520)	930,089
Increase/(decrease) in trade payables		3,340,242	(757,844)
Loss on revaluation of Swap Agreement		17,394,646	4,958,531
Amortisation of issue costs on Preference Shares		835,296	835,296
<b>Net cash flow from operating activities</b>		<u>1,835,789</u>	<u>1,887,681</u>
<b>Cash flows from financing activities</b>			
Repayment of loans		(897,473)	( 842,698)
<b>Net cash flows from financing activities</b>		<u>(897,473)</u>	<u>( 842,698)</u>
<b>Net increase in cash and cash equivalents</b>		938,316	1,044,983
<b>Cash and cash equivalents at the beginning of the year</b>		<u>13,023,665</u>	<u>11,978,682</u>
<b>Cash and cash equivalents at the end of the year</b>	5	<u>€ 13,961,981</u>	<u>€ 13,023,665</u>

*(The notes on pages 9 to 17 form part of these financial statements)*

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST DECEMBER 2006**

**1. ACCOUNTING POLICIES**

**Basis of accounting**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee. The financial statements have been prepared on the historical cost basis except for the Swap Agreement which is measured at fair value. The more significant accounting policies used are set out below.

**New standards and interpretations not yet adopted**

In August 2005, the IASB issued IFRS 7 – “Financial Instruments: Disclosure” which becomes effective for periods starting on or after 1 January 2007. The standard requires disclosures about the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements of IAS 32 - "Financial Instruments: Disclosure and Presentation". IFRS 7 also requires information about the extent to which the entity is exposed to risks arising from financial instruments, and a description of management's objectives, policies and processes for managing those risks. The Company will apply IFRS 7 for its accounting period commencing 1 January 2007.

In November 2006, the IASB issued IFRS 8 – “Operating Segments” which is effective for annual periods beginning on or after 1 January 2009. The standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. This "management approach" differs from IAS 14, which currently requires the disclosure of two sets of segments, business and geographical segments, based on a disaggregation of information contained in the financial statements. Under IFRS 8 operating segments become reportable based on threshold tests related to revenues, results and assets. The Company will apply IFRS 8 for its accounting period commencing 1 January 2009.

**Use of estimates**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the year. Actual results could differ from those estimates.

**Held-to-maturity investments**

The Company designates its investments as held-to-maturity investments. Investments are initially recognised at trade date at fair value on the date of purchase less transaction costs that are directly attributable to the investments. They are subsequently measured at amortised cost using the effective interest rate method less any impairment losses. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

**Swap Agreement**

The Swap Agreement is stated at fair value, estimated using pricing models with inputs based on market related measures. Realised and unrealised gains and losses on the Swap Agreement is recognised within the income statement. The Swap Agreement is derecognised when the rights to receive cash flows from them have expired or the Company has transferred substantially all risks and rewards of ownership.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2006**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Preference Shares**

Preference Shares are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, Preference Shares are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest rate basis. The scheduled redemption amount of the Preferred Securities at the scheduled maturity dates will be the lesser of (i) the nominal amount invested; or (ii) the amount received by the Company in respect of the redemption of the Investments held by the Company. The Company derecognises Preference Shares when its contractual obligations are discharged.

The Directors have considered the characteristics of the Preference Shares, and the requirements of "Financial Instruments: Disclosure and Presentation" ("IAS 32"), and consider that the most appropriate classification of these securities is as debt within non-current liabilities. Dividends are recorded as interest expense in the Income Statement.

**Restatement**

A restatement of fair values for the Held to Maturity Investments and Preference Shares has been made subsequent to 31st December 2005. More accurate fair values for Held to Maturity investments and Preference Shares than disclosed in Note 12 became available and the Directors have decided to restate values in Note 12 from those originally disclosed in the 2005 signed Financial Statements.

**Impairment**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

**Transaction costs**

Transaction costs represent costs of the issue and discount on the Preference Shares and other formation expenses which have been deducted from the proceeds of the issue of the Preference Shares and taken into account in calculating the carrying value of the Preference Shares on an effective interest rate basis.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

# **FORTIS CAPITAL COMPANY LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

### **FOR THE YEAR ENDED 31ST DECEMBER 2006**

#### **1. ACCOUNTING POLICIES - (Continued)**

##### **Foreign currency translation**

###### **a) Currency of domicile, functional currency and presentation currency**

The currency of domicile is GBP (pounds sterling). Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro, which is the Company's functional and presentation currency.

###### **b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

##### **Fair value estimations**

Fair value estimations of the financial assets and liabilities are determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

##### **Investment income, interest expense and loan interest expense**

Investment income, interest expense and loan interest expense are recognised in the income statement on an effective interest basis.

##### **Swap income and swap expense**

Swap income and swap expense are recognised on an effective interest basis.

##### **Deposit interest income**

Deposit interest income is recognised on an accruals basis.

##### **Other expenses**

All other expenses are recognised on an accruals basis.

##### **Related Party Disclosures**

Transactions with related parties are disclosed in the primary financial statements and the notes to the financial statements.

##### **Segmental reporting**

In the Directors' opinion there are no reportable business segments or geographical segments as the Company's activities are limited to one main business and geographical segment.

##### **Employees**

The Company had no employees during the year ended 31st December 2006 or the previous accounting year.

## FORTIS CAPITAL COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE YEAR ENDED 31ST DECEMBER 2006

#### 2. HELD-TO-MATURITY INVESTMENTS

Fortis Bank Nederland (Holding) N.V.

	<u>2006</u>	<u>2005</u>
Class A1 Subordinated Notes	€ 472,500,000	€ 472,500,000

The Subordinated Notes (the "Notes") which were issued in 1999 have a term of 30 years, and represent an obligation of Fortis Bank Nederland (Holding) N.V. ( the "Bank") to the Company. The Notes are subordinated and junior to the Bank's depositors and creditors in the event of bankruptcy or liquidation of the Bank.

The Class A1 note pays interest annually in arrears at a rate of 12 month Euribor plus 187 basis points until 29th June 2009 and 3 month Euribor plus 287 basis points thereafter.

If the Preference Shares are redeemed, the Company has the right to redeem the Notes on or after 29th June 2009.

In the opinion of the directors the notes should be classified as held to maturity as the company has the positive intention and ability to hold the notes to maturity and any early redemption is callable by the issuer.

#### 3. SWAP AGREEMENT

	<u>2006</u>	<u>2005</u>
Swap Agreement	€ 5,970,858	€ 23,365,504

The Company and the Bank have entered into a Swap Agreement to ensure that the Company will have sufficient funds to enable it to settle the fixed rate payable on its issued preference shares. The Bank has agreed to pay the Company a fixed rate of 6.25% p.a. for the A1 Notes. In return the Company has agreed to pay the Bank a floating rate of 12 month Euribor plus 160 basis points for the A1 Notes.

The 12 month Euribor was fixed at 2.068% up to 29th June 2006. As at 29th June 2006 the 12 month Euribor was fixed for twelve months at 3.520%.

#### 4. TRADE AND OTHER RECEIVABLES

	<u>2006</u>	<u>2005</u>
Investment income receivable	12,978,086	9,481,951
Swap income receivable	14,332,192	14,332,192
Deposit income receivable	85,050	8,665
	<u>€ 27,395,328</u>	<u>€ 23,822,808</u>

#### 5. CASH AND CASH EQUIVALENTS

	<u>2006</u>	<u>2005</u>
Citibank, N.A. - deposit account	8,181	7,852
The Royal Bank of Scotland International:		
- € deposit account	18,328	30,105
- £ deposit account (2006: £nil; 2005: £20)	-	29
US\$ deposit account (2006: \$110; 2005: \$105)	83	89
Mourant & Co - client account (2006: £6; 2005: £6)	9	9
Fortis Bank (CI) Limited: € fixed deposit account	13,935,380	12,985,581
	<u>€ 13,961,981</u>	<u>€ 13,023,665</u>

## FORTIS CAPITAL COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE YEAR ENDED 31ST DECEMBER 2006

6. TRADE PAYABLES	<u>2006</u>	<u>2005</u>
Mourant & Co. - Administration fees	10,857	15,198
Audit fees	10,772	12,370
Swap interest payable	11,904,000	8,528,100
Loan interest payable	101,294	131,013
Interest expense on Preference Shares	14,332,192	14,332,192
	<u>€ 26,359,115</u>	<u>€ 23,018,873</u>

7. LOANS PAYABLE	<u>2006</u>	<u>2005</u>
<b>Amounts falling due within one year</b>		
Fortis Bank Nederland (Holding) N.V.:		
- € 8,300,000 loan	<u>955,809</u>	<u>897,473</u>
<b>Amounts falling due after more than one year</b>		
Fortis Bank Nederland (Holding) N.V.:		
- € 8,300,000 loan	<u>2,102,038</u>	<u>3,057,847</u>
<b>Total loans payable</b>	<u>€ 3,057,847</u>	<u>€ 3,955,320</u>

The € 8,300,000 loan is unsecured, bears interest at an annual rate of 6.50% and is repayable over ten years commencing 29th June 2000.

#### 8. PREFERENCE SHARES

	<u>2006</u>	<u>2005</u>
450,000 6.25% Non-cumulative, Non-voting Perpetual Class A at €1,000 each	450,000,000	450,000,000
Less: issue costs	( 8,352,909)	( 8,352,909)
Amortisation of issue costs	6,264,692	5,429,396
	<u>€ 447,911,783</u>	<u>€ 447,076,487</u>

The Class A Series 1 Preference Shares bear interest at a rate of 6.25% per annum on the nominal amount of the shares outstanding payable annually in arrears on 29th June each year until 29th June 2009. If applicable, after 29th June 2009 the Preference Shares bear interest at 3 month Euribor plus 260 basis points payable quarterly in arrears commencing 29th September 2009.

The Class A Series 1 Preference Shares may be redeemed for cash by the Company in their totality either on 29th June 2009, on any preference dividend payment date thereafter or at any time by the Company following an Issuer Special Event.

## FORTIS CAPITAL COMPANY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE YEAR ENDED 31ST DECEMBER 2006

#### 8. PREFERENCE SHARES (CONTINUED)

In the event that the Company does not redeem the Class A Series 1 Preference Shares in cash on 29th June 2009, Holders have the once only opportunity to exercise their Stock Conversion Option to redeem all of their Preference Shares on 29th June 2009. The choice to settle by way of cash or Ordinary Shares in Fortis S.A./ N.V. and/or Fortis N.V. is entirely at the discretion of the Company, Fortis S.A./ N.V. and Fortis N.V. If the settlement option is by way of stock settlement then any additional cost would be borne by Fortis S.A./ N.V. and Fortis N.V. and the Company would merely act as an agent for the Holders.

On the occasion of a Supervisory Event, there would be mandatory conversion of the Class A Series 1 Preference Shares to Preference Shares of Fortis Bank Nederland (Holding) N.V.

In the event of a liquidation the Class A Series 1 Preference Share holders will be entitled to receive a distribution of assets equivalent to the paid up value of the Class A Series 1 Preference Shares plus any accrued preference dividend. There is no entitlement to claim in any of the remaining assets of the Company. The Class A Series 1 Preference Shares are listed on the Euronext Amsterdam Stock Exchange.

In the opinion of the directors the aggregate value of the stock conversion option and the undertaking from Fortis Group to meet the cost of satisfying the stock conversion option is nil therefore no bifurcation of the stock conversion option is considered necessary.

#### 9. EQUITY SHARE CAPITAL

	<u>2006</u>	<u>2005</u>
<b>AUTHORISED:</b>		
2,000,000,000 ordinary shares of € 1 each	2,000,000,000	2,000,000,000
2,000,000,000 unclassified shares of € 1 each	2,000,000,000	2,000,000,000
	<u>€ 4,000,000,000</u>	<u>€ 4,000,000,000</u>
<b>ISSUED AND FULLY PAID:</b>		
22,511 ordinary shares of € 1 each	<u>€ 22,511</u>	<u>€ 22,511</u>

#### 10. SHARE PREMIUM ACCOUNT

	<u>2006</u>	<u>2005</u>
Premium on shares issued		
Ordinary shares	<u>€ 30,477,499</u>	<u>€ 30,477,499</u>

#### 11. TAXATION

The Company has been granted exempt status for Jersey taxation purposes and therefore only suffers an annual exempt company fee of £ 600.

## FORTIS CAPITAL COMPANY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

#### FOR THE YEAR ENDED 31ST DECEMBER 2006

#### 12. FINANCIAL INSTRUMENTS

The Company holds financial instruments as follows:

Bank deposits; Investments; Preference Shares; Swap Agreement; Trade receivables; Trade payables; Loans payable.

The main purpose of the financial instruments is to finance the Company's purchase of Class A1 Subordinated Notes issued by Fortis Bank Nederland (Holding) N.V. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

##### Interest rate risk and liquidity risk

The Company has entered into a Swap Agreement whereby the income receivable under the Swap and from the Company's investments will always be sufficient to enable the Company to meet its liabilities on the payments due to the holders of the preference shares as they fall due. The Directors therefore believe that there is no net interest rate risk to the Company.

##### Currency rate risk

All of the Company's material transactions and obligations are denominated in Euro and the Directors therefore believe there is no net currency risk to the Company.

##### Credit risk

The Directors believe that there is no material net credit risk to the Company since the Preference Shareholders have limited recourse to the proceeds from the Class A1 subordinated notes and the Swap. As detailed in note 8, in the event of liquidation, the Preference Shareholders are entitled only to receive a distribution of assets equal to the paid up value of the Preference Shares plus any accrued dividend.

##### Fair values

The fair values of the Company's significant assets and liabilities are as follows:

	<u>2006</u>		<u>2005</u> restated
Held-to-maturity	€ 610,889,097	€	619,182,645
Swap Agreement	€ 5,970,858	€	23,365,504
Trade and other	€ 27,395,328	€	23,822,808
Cash and cash	€ 13,961,981	€	13,023,665
Trade payables	€ (26,359,115)	€	(23,018,873)
Loan Payable	€ (3,265,385)	€	(4,354,850)
Preference Shares	€ (465,750,000)	€	(472,500,000)

The Held-to-maturity investments (the "Notes"), swap agreement and loan payable fair values have been calculated using valuation models. It has been assumed that the Notes will be redeemed at their scheduled maturity date of 29th June 2029. The Preference Share fair value is the quoted bid price from Euronext. This quoted price reflects an expected redemption date for the Preference Shares of 29th June 2009 as both the Company and the holders have the right to redeem on this date. This mismatch is the reason for the large difference between the fair value of the Company's financial assets and financial liabilities disclosed above. In the event of redemption of the Preference Shares on 29th June 2009, the Company may exercise its option to redeem the Notes. However, the Company may choose to finance such redemption by alternative means.

**FORTIS CAPITAL COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2006****12. FINANCIAL INSTRUMENTS - (CONTINUED)**

The interest rate exposure of financial assets at 31st December 2006 after hedging was:

Total	Fixed rate	Floating rate	Non-interest bearing
€ 519,828,167	€ 478,470,858	€ 13,961,981	€ 27,395,328

Effective interest rate 2006:

Fixed rate financial assets	Floating rate financial assets
6.25%	2.67%

The interest rate exposure of financial assets at 31st December 2005 after hedging was:

Total	Fixed rate	Floating rate	Non-interest bearing
€ 532,711,977	€ 495,865,504	€ 13,023,665	€ 23,822,808

Effective interest rate 2005:

Fixed rate financial assets	Floating rate financial assets
6.25%	1.97%

The floating rate financial assets comprise Euro bank deposits that earn interest based on market rates.

Non-interest bearing financial assets represent trade and other receivables.

The interest rate exposure of financial liabilities at 31st December 2006 after hedging was:

Total	Fixed rate	Floating rate	Non-interest bearing
€ 477,328,745	€ 450,969,630	-	€ 26,359,115

Effective interest rate 2006:

Fixed rate financial liabilities	Floating rate financial liabilities
6.25%	0.00%

The interest rate exposure of financial liabilities at 31st December 2005 after hedging was:

Total	Fixed rate	Floating rate	Non-interest bearing
€ 474,050,680	€ 451,031,807	-	€ 23,018,873

Effective interest rate 2005:

Fixed rate financial liabilities	Floating rate financial liabilities
6.25%	0.00%

## **FORTIS CAPITAL COMPANY LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

#### **FOR THE YEAR ENDED 31ST DECEMBER 2006**

##### **12. FINANCIAL INSTRUMENTS - (CONTINUED)**

Non-interest bearing financial liabilities represent equity shareholders funds and trade payables.

Although the Directors believe that the interest risk, currency risk, credit risk and liquidity risk have all been mitigated, it has been noted that volatility in the Income Statement should be expected due to movements in the fair value of the Swap year on year.

##### **13. HOLDING COMPANY AND RELATED PARTIES**

The Company's immediate holding company is Fortis Bank Nederland (Holding) N.V. (formerly Fortis Bank Nederland N.V.), a company incorporated in The Netherlands. The ultimate holding companies are Fortis S.A./N.V. and Fortis N.V., which are Belgian and Dutch companies respectively.

Messrs. Baise, Stokkel, De Bruine, van Wijck and Martin are, or have been, senior employees of Fortis S.A./N.V. and Fortis N.V. or their affiliate companies. They do not receive a directors' fee for being directors of the

J.A.J. Chapman is a supervisory board member and shareholder of Maurant Limited. G.P. Essex-Cater is a shareholder of Maurant Limited. Each of J.A.J. Chapman, H.C. Grant, G.P. Essex-Cater and W.G. Foster are employees of a subsidiary of Maurant Limited. Affiliates of Maurant Limited provide ongoing administrative services to the Company at commercial rates. J.A.J. Chapman is also a partner of Maurant du Feu & Jeune and should be regarded as interested in any contract in relation to the provision of legal services by Maurant du Feu & Jeune.

The Company has invested the proceeds of the issue of the Class A Series 1 Preference shares in Subordinated Notes of Fortis Bank Nederland (Holding) N.V. as described in Note 2.

The Company has entered into support and guarantee agreements with Fortis group companies to enable the Company to declare and pay preference dividends and to guarantee the payment of Class A Series 1 Preference Shares including unpaid preference share dividends in the event of the liquidation of the Company.

Fortis Bank (Nederland) N.V. sold its entire holding of Preference Shares in the Company in January 2006 (2005: Preference Shares held € 5,420,612 and interest owed € 159,246).

##### **14. KEY MANAGEMENT PERSONNEL**

The key management personnel have been identified as being the Directors of the Company. The emoluments of the key management personnel are paid by the ultimate controlling party and other related parties who make no recharge to the Company.

It is therefore not possible to make a reasonable apportionment of their emoluments in respect of each of the companies. Accordingly, no emoluments in respect of the Directors applicable to the Company have been disclosed.