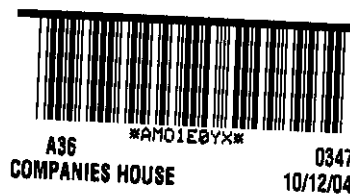


**THE LOCAL GOVERNMENT
MANAGEMENT BOARD**

(a company limited by guarantee)

Report and Financial Statements

31 March 2004



THE LOCAL GOVERNMENT MANAGEMENT BOARD

REPORT AND FINANCIAL STATEMENTS 2004

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THE LOCAL GOVERNMENT MANAGEMENT BOARD

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Sir Harry G Jones CBE (Resigned 1st October 2004)
Ian C F Swithenbank
Brian Briscoe
Lord Paul Hanningfield
M Whiteman OBE
Sir David Reeve Williams CBE

SECRETARY

John Rees

REGISTERED OFFICE

Local Government House
Smith Square
London
SW19 3HZ

BUSINESS ADDRESS

Layden House
76-86 Turnmill Street
London
EC1M 5QU

BANKERS

HSBC Plc

SOLICITORS

Beachcroft Wansboroughs

AUDITORS

Deloitte & Touche LLP
St Albans

THE LOCAL GOVERNMENT MANAGEMENT BOARD

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2004

ACTIVITIES

The Local Government Management Board (a company limited by guarantee) from the 1 April 1999 is a property company renting its premises to the Improvement and Development Agency for Local Government and the Employers' Organisation who are engaged in the provision of advice and other services to Local Authorities in England and Wales.

REVIEW OF DEVELOPMENTS

The previous trading activities of the company were transferred on 1 April 1999 to two new companies: The Improvement and Development Agency for Local Government and the Employers' Organisation for Local Government. The new companies continue to provide services to Local Authorities from the premises owned by the company for an agreed rental.

On 1 April 2000, the company transferred its interest in The Local Government Information House Limited to The Improvement and Development Agency for Local Government.

The directors consider there to be no significant developments in the near future.

DIVIDENDS

The articles of the company do not permit the payment of a dividend.

FUTURE PROSPECTS

The company will retain the freehold premises at Layden House, charging a rental to the new trading companies

DIRECTORS

The names of the directors who served throughout the year and since the year end are set out on page 1. Directors become members of the company on appointment and provide a guarantee of £1 each during the period of their appointment.

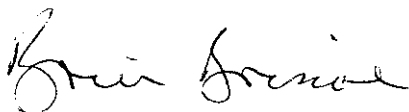
DONATIONS

No donations were made during the year (2003: £Nil).

AUDITORS

A resolution for the reappointment of Deloitte & Touche LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



Brian Briscoe

28 OCTOBER 2004

THE LOCAL GOVERNMENT MANAGEMENT BOARD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the group as at the end of the financial year 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; 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 THE LOCAL GOVERNMENT MANAGEMENT BOARD

We have audited the financial statements of the Local Government Management Board a company limited by guarantee for the year ended 31 March 2004 which comprise the income and expenditure account, the balance sheet, cash flow statement and notes i to vi, and the related notes 1 to 15. These financial statements have been prepared under the accounting policies and notes 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 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, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

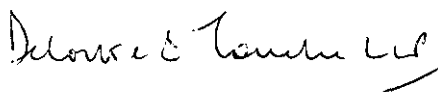
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St Albans

Date 8 December 2004

THE LOCAL GOVERNMENT MANAGEMENT BOARD

INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2004

	Note	2004 £000	2003 £000
INCOME	2	778	1,131
Administrative expenses		5	(866)
OPERATING SURPLUS	5	783	265
Interest receivable and similar income		8	
Interest payable and similar expenditure	6	(108)	(129)
SURPLUS OF INCOME OVER EXPENDITURE FOR THE YEAR	12	683	136

All income and expenses in the current financial year have been derived from continuing operations.

A Statement of Total Recognised Gains and Losses has not been prepared as there have not been any recognised gains or losses other than the surplus for the year and the preceding year.

THE LOCAL GOVERNMENT MANAGEMENT BOARD

BALANCE SHEET 31 March 2004

	Note	2004 £000	2003 £000
FIXED ASSETS			
Tangible assets	8	4,589	4,783
CURRENT ASSETS			
Investments – money market deposits		101	96
Cash at bank and in hand		-	97
		101	193
CREDITORS: amounts falling due within one year	9	(560)	(976)
NET CURRENT LIABILITIES		(459)	(783)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,130	4,000
CREDITORS: amounts falling due after more than one year	10	(885)	(1,218)
PROVISIONS FOR LIABILITIES AND CHARGES	11	-	(220)
NET ASSETS		3,245	2,562
ACCUMULATED FUNDS	12,13	3,245	2,562

These financial statements were approved by the Board of Directors on 28 October 2004

Signed on behalf of the Board of Directors



Brian Briscoe
Director

THE LOCAL GOVERNMENT MANAGEMENT BOARD

CASH FLOW STATEMENT

Year ended 31 March 2004

	Note	2004 £000	2003 £000
Net cash inflow from operating activities	i	295	105
Returns on investments and servicing of finance	ii	(100)	(129)
Net cash inflow/(outflow) before the management of liquid resources and financing		195	(24)
Management of Liquid Funds	iii	(5)	4
Financing	iv	(287)	23
(Decrease)/ increase in cash		(97)	3

THE LOCAL GOVERNMENT MANAGEMENT BOARD

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2004

i. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £000	2003 £000
Operating surplus	783	265
Depreciation	194	190
Decrease in debtors:	-	41
Decrease in current liabilities and provisions:		
- creditors	(462)	(291)
- provisions	(220)	(100)
Net cash inflow from operating activities	<u>295</u>	<u>105</u>

ii. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2004 £000	2003 £000
Interest paid	(108)	(129)
Interest received	8	-
	<u>(100)</u>	<u>(129)</u>

iii. MANAGEMENT OF LIQUID RESOURCES

	2004 £000	2003 £000
Cash Flow from money market deposits	<u>(5)</u>	<u>4</u>

iv. FINANCING

	2004 £000	2003 £000
Repayment of borrowings	(437)	(327)
Increase in borrowings	150	350
	<u>(287)</u>	<u>23</u>

THE LOCAL GOVERNMENT MANAGEMENT BOARD

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2004

v. RECONCILIATION OF NET CASHFLOW TO NET FUNDS

	2004 £000	2003 £000
(Decrease)/ increase in cash in year	(97)	3
Net repayment of borrowings	287	(23)
Cash from movement in liquid resources	5	(4)
Change in net debt	195	(24)
Net funds at start of year	(1,455)	(1,431)
Net funds at end of year	(1,260)	(1,455)

vi. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2003 £000	Cashflows £000	Non Cashflow Changes £'000	At 31 March 2004 £000
Cash at bank	97	(97)	-	-
Current asset investments	96	5	-	101
Debt due within one year	(430)	430	(476)	(476)
Debt due after one year	(1,218)	(143)	476	(885)
	(1,455)	195	-	(1,260)

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Related party transactions

The company rents premises to the Improvement and Development Agency for Local Government and the Employers' Organisation who are under the common control of the Local Government Association. Rent receivable is shown in note 2. In addition, on 1 April 1999, the company transferred certain assets and liabilities relating to its previous trading activities at book value to the Improvement and Development Agency for Local Government and the Employers' Organisation.

The previous trading activities of the company were transferred, together with related trading balances, to the Improvement and Development Agency for Local Government and the Employers' Organisation on 1 April 1999.

At 31 March 2004, the company owed £71,000 (2003: £479,000) to the Improvement and Development Agency for Local Government and £3,000 (2003: £4,000) to the Employers' Organisation.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows

Freehold land and buildings	2% per annum
Computer equipment	33% per annum
Furniture and fittings	10% per annum

Land is not depreciated.

Income

Income represents the amount receivable as rents and services provided (excluding Value Added Tax). Note 2 gives further analysis of income which is generated entirely in the UK.

THE LOCAL GOVERNMENT MANAGEMENT BOARD

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

2. INCOME

	2004 £000	2003 £000
Rents received	778	1,131

3. DIRECTORS EMOLUMENTS

None of the directors received any emoluments in respect of their services to the company and its subsidiaries (2003: £nil). There were no retirement benefits accruing to the directors in respect of qualifying services to the company.

4. STAFF COSTS

The company had no employees during the current and preceding financial year.

5. OPERATING SURPLUS

	2004 £000	2003 £000
Operating surplus is after charging/(crediting):		
Depreciation and amortisation	194	190
Release of provision	(220)	-
Auditors' remuneration		
- audit fee	1	1

6. INTEREST PAYABLE

	2004 £000	2003 £000
Bank loans	108	129

7. TAXATION

The Local Government Management Board is exempt from Income Tax and Corporation Tax by virtue of its status as a Local Authority Association under Section 519(3) of the Taxes Act 1988. It is exempt from Capital Gains Tax under Section 271(3) of the Taxation of Chargeable Gains Act 1992.

THE LOCAL GOVERNMENT MANAGEMENT BOARD

NOTES TO THE ACCOUNTS Year ended 31 March 2004

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Computer equipment £000	Furniture and fittings £000	Total £000
Cost				
At 1 April 2003 and 31 March 2004	4,793	721	976	6,490
Accumulated depreciation				
At 1 April 2003	624	721	362	1,707
Charge for the year	96	-	98	194
At 31 March 2004	720	721	460	1,901
Net book value				
At 31 March 2004	4,073	-	516	4,589
At 31 March 2003	4,169	-	614	4,783
Net book value of undepreciated land £500k (2003: £500k).				

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £000	2003 £000
Trade creditors	75	486
Bank loans	476	430
Other creditors	9	60
	<u>560</u>	<u>976</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £000	2003 £000
Bank loans	<u>885</u>	<u>1,218</u>
Loan is repayable by instalments:		
Due within one year	476	430
Between one and two years	511	463
Between two and five years	374	755
	<u>1,361</u>	<u>1,648</u>
Amounts falling due within one year	476	430
Amounts falling due after one year	<u>885</u>	<u>1,218</u>
	<u>1,361</u>	<u>1,648</u>

The loan is secured on the freehold premises of the company at Turnmill Street. The loan bears interest at a rate of 8.75% per annum fixed over the term of the loan. The loan is repayable in equal quarterly instalments, starting in September 1999.

THE LOCAL GOVERNMENT MANAGEMENT BOARD

NOTES TO THE ACCOUNTS Year ended 31 March 2004

11 PROVISIONS FOR LIABILITIES AND CHARGES

	Major repair and redeco- ration £000
Balance at 1 April 2003	220
Released during year	(220)
Balance at 31 March 2004	-

The provision has been released as it related to leasehold premises no longer held.

12 STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS

	2004 £000	2003 £000
Surplus of income over expenditure for the year	683	136
Opening accumulated funds	2,562	2,426
Closing accumulated funds	3,245	2,562

13 ACCUMULATED FUNDS

The accumulated funds are not distributable to the members by way of dividend. The accumulated funds of the company are allocated as follows:

	2004 £000	2003 £000
Funding of assets	2,915	2,552
Building repair reserve	320	-
Contingency allowance	10	10
	3,245	2,562

14 CONTROLLING ENTITY

The controlling entity is the Local Government Association.

15 MEMBERS

The company is incorporated as a company limited by guarantee having no share capital and, in accordance with the Memorandum of Association, every member is liable to contribute a sum of £1 in the event of the company being wound up. At 31 March 2004 there were 6 members.